Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

November 2015

Gaston Public Schools/4034
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Gaston Public Schools/4034

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gaston Public Schools -- #4034

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Gaston Public Schools to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gaston Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Gaston Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(17.51%)	(17.51%)	(17.51%)
Net pension contribution rate	**8.93%**	**3.31%**	**8.11%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**9.43%**	**3.74%**	**8.54%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Gaston Public Schools

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$6,800,849	$2,792,410
Allocated pooled OPSRP UAL	329,330	157,013
Side account	5,104,961	5,146,075
Net unfunded pension actuarial accrued liability	2,025,218	(2,196,652)
Combined valuation payroll	2,880,731	2,220,645
Net pension UAL as a percentage of payroll	70%	(99%)
Calculated Side Account Rate Relief	(17.51%)	(21.65%)
Allocated Pooled RHIA UAL	$22,898	$30,736

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$5,146,075**	**$5,146,075**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(408,834)	(408,834)
5. Side account earnings during 2014		369,721	369,721
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$5,104,961**	**$5,104,961**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$2,200,465	$2,218,676
Side Account 2	2,904,496	2,927,398
Side Account 3	0	0
Total	**$5,104,961**	**$5,146,075**

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, 2014	December 31, 2013
1. Total side account	$5,104,961	$5,146,075
2. Combined valuation payroll	2,880,731	2,220,645
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(17.51%)	(21.65%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Gervais School District #1/4329
Oregon Public Employees Retirement System

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A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While 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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Gervais School District #1/4329

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gervais School District #1 -- #4329

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Gervais School District #1 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gervais School District #1.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Gervais School District #1

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(21.02%)	(21.02%)	(21.02%)
Net pension contribution rate	**5.42%**	**0.00%**	**4.60%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**5.92%**	**0.43%**	**5.03%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Gervais School District #1

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$13,132,397	$7,036,982
Allocated pooled OPSRP UAL	635,935	395,679
Side account	11,829,408	11,824,284
Net unfunded pension actuarial accrued liability	1,938,924	(4,391,623)
Combined valuation payroll	5,562,674	5,596,112
Net pension UAL as a percentage of payroll	35%	(78%)
Calculated Side Account Rate Relief	(21.02%)	(19.74%)
Allocated Pooled RHIA UAL	$44,215	$77,456

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$11,824,284**	**$11,824,284**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(845,768)	(845,768)
5. Side account earnings during 2014		851,891	851,891
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$11,829,408**	**$11,829,408**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$11,829,408	$11,824,284
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,829,408**	**$11,824,284**

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, 2014	December 31, 2013
1. Total side account	$11,829,408	$11,824,284
2. Combined valuation payroll	5,562,674	5,596,112
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.02%)	(19.74%)

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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Gladstone School District #115/3160
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Gladstone School District #115/3160

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gladstone School District #115 -- #3160

November 2015

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Executive Summary

Milliman has prepared this report for Gladstone School District #115 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gladstone School District #115.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Gladstone School District #115

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(25.47%)	(25.47%)	(25.47%)
Net pension contribution rate	**0.97%**	**0.00%**	**0.15%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**1.47%**	**0.43%**	**0.58%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Gladstone School District #115

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$20,082,640	$9,823,266
Allocated pooled OPSRP UAL	972,499	552,348
Side account	21,924,075	22,238,977
Net unfunded pension actuarial accrued liability	(868,936)	(11,863,363)
Combined valuation payroll	8,506,686	7,811,885
Net pension UAL as a percentage of payroll	(10%)	(152%)
Calculated Side Account Rate Relief	(25.47%)	(26.60%)
Allocated Pooled RHIA UAL	$67,616	$108,125

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$22,238,977**	**$22,238,977**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,899,345)	(1,899,345)
5. Side account earnings during 2014		1,585,444	1,585,444
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$21,924,075**	**$21,924,075**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$21,924,075	$22,238,977
Side Account 2	0	0
Side Account 3	0	0
Total	**$21,924,075**	**$22,238,977**

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, 2014	December 31, 2013
1. Total side account	$21,924,075	$22,238,977
2. Combined valuation payroll	8,506,686	7,811,885
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(25.47%)	(26.60%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Glide School District #12/3316
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Glide School District #12/3316

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Glide School District #12 -- #3316

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Glide School District #12 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Glide School District #12.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Glide School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(11.90%)	(11.90%)	(11.90%)
Net pension contribution rate	**14.54%**	**8.92%**	**13.72%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**15.04%**	**9.35%**	**14.15%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Glide School District #12

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$7,561,928	$3,908,071
Allocated pooled OPSRP UAL	366,185	219,745
Side account	3,856,841	3,871,692
Net unfunded pension actuarial accrued liability	4,071,272	256,124
Combined valuation payroll	3,203,112	3,107,867
Net pension UAL as a percentage of payroll	127%	8%
Calculated Side Account Rate Relief	(11.90%)	(11.64%)
Allocated Pooled RHIA UAL	$25,460	$43,016

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$3,871,692**	**$3,871,692**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(292,275)	(292,275)
5. Side account earnings during 2014		278,424	278,424
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$3,856,841**	**$3,856,841**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$3,856,841	$3,871,692
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,856,841**	**$3,871,692**

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, 2014	December 31, 2013
1. Total side account	$3,856,841	$3,871,692
2. Combined valuation payroll	3,203,112	3,107,867
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.90%)	(11.64%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Greater Albany School District #8J/4260
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Greater Albany School District #8J/4260

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Greater Albany School District #8J/4260

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Greater Albany School District #8J -- #4260

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Greater Albany School District #8J to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Greater Albany School District #8J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Greater Albany School District #8J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.48%)	(9.48%)	(9.48%)
Net pension contribution rate	**16.96%**	**11.34%**	**16.14%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.46%**	**11.77%**	**16.57%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Greater Albany School District #8J

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$100,077,256	$49,959,318
Allocated pooled OPSRP UAL	4,846,229	2,809,139
Side account	40,679,850	41,015,478
Net unfunded pension actuarial accrued liability	64,243,635	11,752,979
Combined valuation payroll	42,391,130	39,729,805
Net pension UAL as a percentage of payroll	152%	30%
Calculated Side Account Rate Relief	(9.48%)	(9.65%)
Allocated Pooled RHIA UAL	$336,950	$549,903

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
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UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$41,015,478**	**$41,015,478**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(3,277,161)	(3,277,161)
5. Side account earnings during 2014		2,942,533	2,942,533
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$40,679,850**	**$40,679,850**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$40,679,850	$41,015,478
Side Account 2	0	0
Side Account 3	0	0
Total	**$40,679,850**	**$41,015,478**

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, 2014	December 31, 2013
1. Total side account	$40,679,850	$41,015,478
2. Combined valuation payroll	42,391,130	39,729,805
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.48%)	(9.65%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Gresham-Barlow School District #10/4332
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Gresham-Barlow School District #10/4332

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gresham-Barlow School District #10 -- #4332

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Gresham-Barlow School District #10 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gresham-Barlow School District #10.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Gresham-Barlow School District #10

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(13.50%)	(13.50%)	(13.50%)
Net pension contribution rate	**12.94%**	**7.32%**	**12.12%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**13.44%**	**7.75%**	**12.55%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Gresham-Barlow School District #10

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$124,373,017	$64,632,190
Allocated pooled OPSRP UAL	6,022,748	3,634,173
Side account	71,955,667	72,358,579
Net unfunded pension actuarial accrued liability	58,440,098	(4,092,216)
Combined valuation payroll	52,682,427	51,398,305
Net pension UAL as a percentage of payroll	111%	(8%)
Calculated Side Account Rate Relief	(13.50%)	(13.15%)
Allocated Pooled RHIA UAL	$418,751	$711,408

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
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Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$72,358,579**	**$72,358,579**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(5,603,602)	(5,603,602)
5. Side account earnings during 2014		5,202,689	5,202,689
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$71,955,667**	**$71,955,667**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$42,512,552	$42,749,974
Side Account 2	29,443,116	29,608,606
Side Account 3	0	0
Total	**$71,955,667**	**$72,358,579**

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, 2014	December 31, 2013
1. Total side account	$71,955,667	$72,358,579
2. Combined valuation payroll	52,682,427	51,398,305
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.50%)	(13.15%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Harney County School District #3/4326
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Harney County School District #3/4326

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Harney County School District #3 -- #4326

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Harney County School District #3 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Harney County School District #3.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Harney County School District #3

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(43.28%)	(43.28%)	(43.28%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**0.50%**	**0.43%**	**0.43%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Harney County School District #3

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$8,691,531	$5,065,011
Allocated pooled OPSRP UAL	420,886	284,798
Side account	16,124,499	15,648,453
Net unfunded pension actuarial accrued liability	(7,012,082)	(10,298,644)
Combined valuation payroll	3,681,594	4,027,915
Net pension UAL as a percentage of payroll	(190%)	(256%)
Calculated Side Account Rate Relief	(43.28%)	(36.30%)
Allocated Pooled RHIA UAL	$29,263	$55,751

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$15,648,453**	**$15,648,453**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(657,890)	(657,890)
5. Side account earnings during 2014		1,135,936	1,135,936
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$16,124,499**	**$16,124,499**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$7,041,007	$6,837,713
Side Account 2	9,083,492	8,810,741
Side Account 3	0	0
Total	**$16,124,499**	**$15,648,453**

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, 2014	December 31, 2013
1. Total side account	$16,124,499	$15,648,453
2. Combined valuation payroll	3,681,594	4,027,915
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(43.28%)	(36.30%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Hermiston School District #8R/4258
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Hermiston School District #8R/4258

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Hermiston School District #8R/4258

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hermiston School District #8R -- #4258

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Hermiston School District #8R to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hermiston School District #8R.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Hermiston School District #8R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(11.02%)	(11.02%)	(11.02%)
Net pension contribution rate	**15.42%**	**9.80%**	**14.60%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**15.92%**	**10.23%**	**15.03%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Hermiston School District #8R

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$48,412,474	$26,305,231
Allocated pooled OPSRP UAL	2,344,368	1,479,104
Side account	22,876,639	23,136,072
Net unfunded pension actuarial accrued liability	27,880,203	4,648,263
Combined valuation payroll	20,506,752	20,919,054
Net pension UAL as a percentage of payroll	136%	22%
Calculated Side Account Rate Relief	(11.02%)	(10.34%)
Allocated Pooled RHIA UAL	$163,000	$289,542

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$23,136,072**	**$23,136,072**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,916,645)	(1,916,645)
5. Side account earnings during 2014		1,659,213	1,659,213
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$22,876,639**	**$22,876,639**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$15,023,691	$15,194,864
Side Account 2	7,852,948	7,941,208
Side Account 3	0	0
Total	**$22,876,639**	**$23,136,072**

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, 2014	December 31, 2013
1. Total side account	$22,876,639	$23,136,072
2. Combined valuation payroll	20,506,752	20,919,054
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.02%)	(10.34%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

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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.

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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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

High Desert Education Service District/4252
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
High Desert Education Service District/4252

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

High Desert Education Service District -- #4252

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for High Desert Education Service District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to High Desert Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for High Desert Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(10.51%)	(10.51%)	(10.51%)
Net pension contribution rate	**15.93%**	**10.31%**	**15.11%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**16.43%**	**10.74%**	**15.54%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

High Desert Education Service District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$24,322,842	$12,416,552
Allocated pooled OPSRP UAL	1,177,831	698,164
Side account	10,956,338	10,869,489
Net unfunded pension actuarial accrued liability	14,544,335	2,245,227
Combined valuation payroll	10,302,768	9,874,178
Net pension UAL as a percentage of payroll	141%	23%
Calculated Side Account Rate Relief	(10.51%)	(10.28%)
Allocated Pooled RHIA UAL	$81,892	$136,669

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$10,869,489**	**$10,869,489**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(696,500)	(696,500)
5. Side account earnings during 2014		784,348	784,348
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$10,956,338**	**$10,956,338**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$10,956,338	$10,869,489
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,956,338**	**$10,869,489**

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, 2014	December 31, 2013
1. Total side account	$10,956,338	$10,869,489
2. Combined valuation payroll	10,302,768	9,874,178
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.51%)	(10.28%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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

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November 2015

Hillsboro School District #1J/4341
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

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

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- 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Hillsboro School District #1J/4341

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hillsboro School District #1J -- #4341

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Hillsboro School District #1J to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hillsboro School District #1J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Hillsboro School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(8.44%)	(8.44%)	(8.44%)
Net pension contribution rate	**18.00%**	**12.38%**	**17.18%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**18.50%**	**12.81%**	**17.61%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Hillsboro School District #1J

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$243,972,592	$122,117,127
Allocated pooled OPSRP UAL	11,814,343	6,866,467
Side account	88,300,008	89,120,312
Net unfunded pension actuarial accrued liability	167,486,927	39,863,282
Combined valuation payroll	103,342,900	97,112,807
Net pension UAL as a percentage of payroll	162%	41%
Calculated Side Account Rate Relief	(8.44%)	(8.57%)
Allocated Pooled RHIA UAL	$821,430	$1,344,145

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$89,120,312**	**$89,120,312**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(7,216,188)	(7,216,188)
5. Side account earnings during 2014		6,396,885	6,396,885
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$88,300,008**	**$88,300,008**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$88,300,008	$89,120,312
Side Account 2	0	0
Side Account 3	0	0
Total	**$88,300,008**	**$89,120,312**

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, 2014	December 31, 2013
1. Total side account	$88,300,008	$89,120,312
2. Combined valuation payroll	103,342,900	97,112,807
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.44%)	(8.57%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Hood River County School District/3409
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Hood River County School District/3409

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.

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A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While 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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Hood River County School District/3409

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hood River County School District -- #3409

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Hood River County School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hood River County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Hood River County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(11.78%)	(11.78%)	(11.78%)
Net pension contribution rate	**14.66%**	**9.04%**	**13.84%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**15.16%**	**9.47%**	**14.27%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Hood River County School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$52,213,309	$27,788,885
Allocated pooled OPSRP UAL	2,528,423	1,562,528
Side account	26,359,329	26,202,395
Net unfunded pension actuarial accrued liability	28,382,403	3,149,018
Combined valuation payroll	22,116,725	22,098,920
Net pension UAL as a percentage of payroll	128%	14%
Calculated Side Account Rate Relief	(11.78%)	(11.07%)
Allocated Pooled RHIA UAL	$175,797	$305,873

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$26,202,395**	**$26,202,395**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,735,077)	(1,735,077)
5. Side account earnings during 2014		1,894,010	1,894,010
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$26,359,329**	**$26,359,329**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$16,688,299	$16,588,412
Side Account 2	9,671,030	9,613,983
Side Account 3	0	0
Total	**$26,359,329**	**$26,202,395**

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, 2014	December 31, 2013
1. Total side account	$26,359,329	$26,202,395
2. Combined valuation payroll	22,116,725	22,098,920
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.78%)	(11.07%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	\$5.5 million added to OPSRP normal cost. \$33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

InterMountain Education Service District/4223
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
InterMountain Education Service District/4223

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

InterMountain Education Service District -- #4223

November 2015

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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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to InterMountain Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for InterMountain Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(13.33%)	(13.33%)	(13.33%)
Net pension contribution rate	**13.11%**	**7.49%**	**12.29%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**13.61%**	**7.92%**	**12.72%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

InterMountain Education Service District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$20,686,156	$11,598,294
Allocated pooled OPSRP UAL	1,001,725	652,155
Side account	11,818,126	11,711,925
Net unfunded pension actuarial accrued liability	9,869,755	538,524
Combined valuation payroll	8,762,326	9,223,464
Net pension UAL as a percentage of payroll	113%	6%
Calculated Side Account Rate Relief	(13.33%)	(11.86%)
Allocated Pooled RHIA UAL	$69,648	$127,663

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$11,711,925**	**$11,711,925**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(737,993)	(737,993)
5. Side account earnings during 2014		846,194	846,194
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$11,818,126**	**$11,818,126**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$3,950,062	$3,969,125
Side Account 2	7,868,064	7,742,799
Side Account 3	0	0
Total	**$11,818,126**	**$11,711,925**

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, 2014	December 31, 2013
1. Total side account	$11,818,126	$11,711,925
2. Combined valuation payroll	8,762,326	9,223,464
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.33%)	(11.86%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Jefferson School District #14Cj/3729
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Jefferson School District #14Cj/3729

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 actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Jefferson School District #14Cj -- #3729

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Jefferson School District #14Cj to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Jefferson School District #14Cj.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Jefferson School District #14Cj

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(17.84%)	(17.84%)	(17.84%)
Net pension contribution rate	**8.60%**	**2.98%**	**7.78%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**9.10%**	**3.41%**	**8.21%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Jefferson School District #14Cj

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$10,834,409	$5,455,676
Allocated pooled OPSRP UAL	524,655	306,765
Side account	8,281,627	8,312,911
Net unfunded pension actuarial accrued liability	3,077,437	(2,550,470)
Combined valuation payroll	4,589,283	4,338,589
Net pension UAL as a percentage of payroll	67%	(59%)
Calculated Side Account Rate Relief	(17.84%)	(17.90%)
Allocated Pooled RHIA UAL	$36,478	$60,051

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$8,312,911**	**$8,312,911**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(628,292)	(628,292)
5. Side account earnings during 2014		598,008	598,008
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$8,281,627**	**$8,281,627**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$8,281,627	$8,312,911
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,281,627**	**$8,312,911**

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, 2014	December 31, 2013
1. Total side account	$8,281,627	$8,312,911
2. Combined valuation payroll	4,589,283	4,338,589
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(17.84%)	(17.90%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

John Day School District/4315
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
John Day School District/4315

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
John Day School District/4315

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

John Day School District -- #4315

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for John Day School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to John Day School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for John Day School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(14.18%)	(14.18%)	(14.18%)
Net pension contribution rate	**12.26%**	**6.64%**	**11.44%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**12.76%**	**7.07%**	**11.87%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

John Day School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$7,633,590	$3,995,555
Allocated pooled OPSRP UAL	369,656	224,664
Side account	4,639,206	4,612,299
Net unfunded pension actuarial accrued liability	3,364,040	(392,080)
Combined valuation payroll	3,233,467	3,177,438
Net pension UAL as a percentage of payroll	104%	(12%)
Calculated Side Account Rate Relief	(14.18%)	(13.56%)
Allocated Pooled RHIA UAL	$25,701	$43,979

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

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($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
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▪ Count	63,492	62,324
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Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
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Actuarial accrued liability	$3,064.1	$2,243.3
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Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
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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, 2013	**N/A**	**$4,612,299**	**$4,612,299**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(304,890)	(304,890)
5. Side account earnings during 2014		332,798	332,798
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$4,639,206**	**$4,639,206**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$4,639,206	$4,612,299
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,639,206**	**$4,612,299**

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, 2014	December 31, 2013
1. Total side account	$4,639,206	$4,612,299
2. Combined valuation payroll	3,233,467	3,177,438
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(14.18%)	(13.56%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

La Grande Public Schools/3965
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
La Grande Public Schools/3965

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

La Grande Public Schools -- #3965

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for La Grande Public Schools to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to La Grande Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for La Grande Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(12.99%)	(12.99%)	(12.99%)
Net pension contribution rate	**13.45%**	**7.83%**	**12.63%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**13.95%**	**8.26%**	**13.06%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

La Grande Public Schools

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$21,214,196	$10,839,612
Allocated pooled OPSRP UAL	1,027,295	609,495
Side account	11,810,305	11,821,689
Net unfunded pension actuarial accrued liability	10,431,186	(372,582)
Combined valuation payroll	8,985,995	8,620,127
Net pension UAL as a percentage of payroll	116%	(4%)
Calculated Side Account Rate Relief	(12.99%)	(12.81%)
Allocated Pooled RHIA UAL	$71,426	$119,312

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$11,821,689**	**$11,821,689**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(858,864)	(858,864)
5. Side account earnings during 2014		849,480	849,480
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$11,810,305**	**$11,810,305**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$9,394,105	$9,401,896
Side Account 2	2,416,200	2,419,793
Side Account 3	0	0
Total	**$11,810,305**	**$11,821,689**

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, 2014	December 31, 2013
1. Total side account	$11,810,305	$11,821,689
2. Combined valuation payroll	8,985,995	8,620,127
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.99%)	(12.81%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Lake Oswego School District/4268
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Lake Oswego School District/4268

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Lake Oswego School District/4268

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lake Oswego School District -- #4268

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Lake Oswego School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lake Oswego School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lake Oswego School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(14.82%)	(14.82%)	(14.82%)
Net pension contribution rate	**11.62%**	**6.00%**	**10.80%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**12.12%**	**6.43%**	**11.23%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Lake Oswego School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$77,013,359	$39,792,167
Allocated pooled OPSRP UAL	3,729,363	2,237,455
Side account	48,898,319	49,088,272
Net unfunded pension actuarial accrued liability	31,844,403	(7,058,650)
Combined valuation payroll	32,621,631	31,644,448
Net pension UAL as a percentage of payroll	98%	(22%)
Calculated Side Account Rate Relief	(14.82%)	(14.49%)
Allocated Pooled RHIA UAL	$259,296	$437,993

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$49,088,272**	**$49,088,272**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(3,715,300)	(3,715,300)
5. Side account earnings during 2014		3,527,347	3,527,347
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$48,898,319**	**$48,898,319**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$29,698,253	$29,807,899
Side Account 2	19,200,066	19,280,373
Side Account 3	0	0
Total	**$48,898,319**	**$49,088,272**

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, 2014	December 31, 2013
1. Total side account	$48,898,319	$49,088,272
2. Combined valuation payroll	32,621,631	31,644,448
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(14.82%)	(14.49%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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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.

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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.

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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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Lane County Education Service District/4276
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Lane County Education Service District/4276

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Lane County Education Service District/4276

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lane County Education Service District -- #4276

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Lane County Education Service District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lane County Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lane County Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(8.81%)	(8.81%)	(8.81%)
Net pension contribution rate	**17.63%**	**12.01%**	**16.81%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**18.13%**	**12.44%**	**17.24%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Lane County Education Service District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$15,963,205	$8,214,224
Allocated pooled OPSRP UAL	773,016	461,874
Side account	6,027,798	5,875,895
Net unfunded pension actuarial accrued liability	10,708,423	2,800,203
Combined valuation payroll	6,761,759	6,532,305
Net pension UAL as a percentage of payroll	158%	43%
Calculated Side Account Rate Relief	(8.81%)	(8.40%)
Allocated Pooled RHIA UAL	$53,746	$90,414

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$5,875,895**	**$5,875,895**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(273,970)	(273,970)
5. Side account earnings during 2014		426,873	426,873
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$6,027,798**	**$6,027,798**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$6,027,798	$5,875,895
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,027,798**	**$5,875,895**

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, 2014	December 31, 2013
1. Total side account	$6,027,798	$5,875,895
2. Combined valuation payroll	6,761,759	6,532,305
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(8.81%)	(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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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.

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

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OPSRP Valuation Payroll

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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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Lincoln County School District/3579
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Lincoln County School District/3579

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lincoln County School District -- #3579

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Lincoln County School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lincoln County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Lincoln County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(37.45%)	(37.45%)	(37.45%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**0.50%**	**0.43%**	**0.43%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Lincoln County School District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$45,978,031	$23,124,490
Allocated pooled OPSRP UAL	2,226,481	1,300,256
Side account	73,791,104	72,694,614
Net unfunded pension actuarial accrued liability	(25,586,592)	(48,269,868)
Combined valuation payroll	19,475,561	18,389,592
Net pension UAL as a percentage of payroll	(131%)	(262%)
Calculated Side Account Rate Relief	(37.45%)	(36.93%)
Allocated Pooled RHIA UAL	$154,803	$254,532

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$72,694,614**	**$72,694,614**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(4,166,525)	(4,166,525)
5. Side account earnings during 2014		5,265,015	5,265,015
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$73,791,104**	**$73,791,104**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$31,206,882	$31,080,129
Side Account 2	42,584,222	41,614,485
Side Account 3	0	0
Total	**$73,791,104**	**$72,694,614**

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, 2014	December 31, 2013
1. Total side account	$73,791,104	$72,694,614
2. Combined valuation payroll	19,475,561	18,389,592
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(37.45%)	(36.93%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	\$5.5 million added to OPSRP normal cost. \$33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Madras School District/3447
Oregon Public Employees Retirement System

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

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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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Madras School District/3447

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Madras School District -- #3447

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Madras School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Madras School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Madras School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(8.50%)	(8.50%)	(8.50%)
Net pension contribution rate	**17.94%**	**12.32%**	**17.12%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**18.44%**	**12.75%**	**17.55%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Madras School District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$39,023,034	$20,213,788
Allocated pooled OPSRP UAL	1,889,686	1,136,592
Side account	14,221,652	14,340,693
Net unfunded pension actuarial accrued liability	26,691,068	7,009,687
Combined valuation payroll	16,529,535	16,074,876
Net pension UAL as a percentage of payroll	161%	44%
Calculated Side Account Rate Relief	(8.50%)	(8.34%)
Allocated Pooled RHIA UAL	$131,386	$222,493

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$14,340,693**	**$14,340,693**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,146,369)	(1,146,369)
5. Side account earnings during 2014		1,028,328	1,028,328
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$14,221,652**	**$14,221,652**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$14,221,652	$14,340,693
Side Account 2	0	0
Side Account 3	0	0
Total	**$14,221,652**	**$14,340,693**

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, 2014	December 31, 2013
1. Total side account	$14,221,652	$14,340,693
2. Combined valuation payroll	16,529,535	16,074,876
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.50%)	(8.34%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

McMinnville Schools/4142
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
McMinnville Schools/4142

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
McMinnville Schools/4142

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

McMinnville Schools -- #4142

November 2015

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- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to McMinnville Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for McMinnville Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.09%)	(9.09%)	(9.09%)
Net pension contribution rate	**17.35%**	**11.73%**	**16.53%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.85%**	**12.16%**	**16.96%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

McMinnville Schools

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$77,301,781	$39,338,956
Allocated pooled OPSRP UAL	3,743,329	2,211,972
Side account	30,134,245	30,300,623
Net unfunded pension actuarial accrued liability	50,910,865	11,250,305
Combined valuation payroll	32,743,802	31,284,035
Net pension UAL as a percentage of payroll	155%	36%
Calculated Side Account Rate Relief	(9.09%)	(9.05%)
Allocated Pooled RHIA UAL	$260,267	$433,004

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$30,300,623**	**$30,300,623**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(2,336,731)	(2,336,731)
5. Side account earnings during 2014		2,172,354	2,172,354
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$30,134,245**	**$30,134,245**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$18,132,786	$18,233,669
Side Account 2	12,001,459	12,066,954
Side Account 3	0	0
Total	**$30,134,245**	**$30,300,623**

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, 2014	December 31, 2013
1. Total side account	$30,134,245	$30,300,623
2. Combined valuation payroll	32,743,802	31,284,035
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.09%)	(9.05%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Medford School District #549C/4288
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Medford School District #549C/4288

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Medford School District #549C -- #4288

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Medford School District #549C to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Medford School District #549C.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Medford School District #549C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(5.25%)	(5.25%)	(5.25%)
Net pension contribution rate	**21.19%**	**15.57%**	**20.37%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**21.69%**	**16.00%**	**20.80%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Medford School District #549C

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$126,214,175	$64,068,805
Allocated pooled OPSRP UAL	6,111,906	3,602,495
Side account	28,402,691	29,029,390
Net unfunded pension actuarial accrued liability	103,923,390	38,641,910
Combined valuation payroll	53,462,312	50,950,277
Net pension UAL as a percentage of payroll	194%	76%
Calculated Side Account Rate Relief	(5.25%)	(5.32%)
Allocated Pooled RHIA UAL	$424,950	$705,206

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$29,029,390**	**$29,029,390**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(2,695,067)	(2,695,067)
5. Side account earnings during 2014		2,069,367	2,069,367
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$28,402,691**	**$28,402,691**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$28,402,691	$29,029,390
Side Account 2	0	0
Side Account 3	0	0
Total	**$28,402,691**	**$29,029,390**

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, 2014	December 31, 2013
1. Total side account	$28,402,691	$29,029,390
2. Combined valuation payroll	53,462,312	50,950,277
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.25%)	(5.32%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Milton-Freewater Unified School District #7/4335
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Milton-Freewater Unified School District #7/4335

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Milton-Freewater Unified School District #7 -- #4335

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Milton-Freewater Unified School District #7 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Milton-Freewater Unified School District #7.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Milton-Freewater Unified School District #7

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(20.22%)	(20.22%)	(20.22%)
Net pension contribution rate	**6.22%**	**0.60%**	**5.40%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**6.72%**	**1.03%**	**5.83%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Milton-Freewater Unified School District #7

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$19,008,227	$9,899,702
Allocated pooled OPSRP UAL	920,471	556,646
Side account	16,467,921	16,477,261
Net unfunded pension actuarial accrued liability	3,460,777	(6,020,913)
Combined valuation payroll	8,051,582	7,872,670
Net pension UAL as a percentage of payroll	43%	(76%)
Calculated Side Account Rate Relief	(20.22%)	(19.55%)
Allocated Pooled RHIA UAL	$63,999	$108,966

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
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Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$16,477,261**	**$16,477,261**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,191,665)	(1,191,665)
5. Side account earnings during 2014		1,184,326	1,184,326
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$16,467,921**	**$16,467,921**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$7,607,632	$7,611,043
Side Account 2	8,860,289	8,866,217
Side Account 3	0	0
Total	**$16,467,921**	**$16,477,261**

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, 2014	December 31, 2013
1. Total side account	$16,467,921	$16,477,261
2. Combined valuation payroll	8,051,582	7,872,670
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(20.22%)	(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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Molalla River School District/4331
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Molalla River School District/4331

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Molalla River School District -- #4331

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Molalla River School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Molalla River School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Molalla River School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(27.55%)	(27.55%)	(27.55%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**0.50%**	**0.43%**	**0.43%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Molalla River School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$25,269,181	$13,119,209
Allocated pooled OPSRP UAL	1,223,657	737,674
Side account	29,827,111	29,605,663
Net unfunded pension actuarial accrued liability	(3,334,273)	(15,748,780)
Combined valuation payroll	10,703,622	10,432,961
Net pension UAL as a percentage of payroll	(31%)	(151%)
Calculated Side Account Rate Relief	(27.55%)	(26.51%)
Allocated Pooled RHIA UAL	$85,079	$144,403

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$29,605,663**	**$29,605,663**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,906,912)	(1,906,912)
5. Side account earnings during 2014		2,130,360	2,130,360
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$29,827,111**	**$29,827,111**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$12,114,242	$12,049,965
Side Account 2	17,712,870	17,555,698
Side Account 3	0	0
Total	**$29,827,111**	**$29,605,663**

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, 2014	December 31, 2013
1. Total side account	$29,827,111	$29,605,663
2. Combined valuation payroll	10,703,622	10,432,961
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(27.55%)	(26.51%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Monroe School District #1J/4340
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Monroe School District #1J/4340

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Monroe School District #1J -- #4340

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Monroe School District #1J to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Monroe School District #1J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Monroe School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.37%)	(9.37%)	(9.37%)
Net pension contribution rate	**17.07%**	**11.45%**	**16.25%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.57%**	**11.88%**	**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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Monroe School District #1J

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$4,984,366	$2,734,540
Allocated pooled OPSRP UAL	241,367	153,759
Side account	2,001,974	2,000,317
Net unfunded pension actuarial accrued liability	3,223,759	887,982
Combined valuation payroll	2,111,298	2,174,624
Net pension UAL as a percentage of payroll	153%	41%
Calculated Side Account Rate Relief	(9.37%)	(8.59%)
Allocated Pooled RHIA UAL	$16,782	$30,099

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$2,000,317**	**$2,000,317**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(141,335)	(141,335)
5. Side account earnings during 2014		143,992	143,992
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$2,001,974**	**$2,001,974**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$2,001,974	$2,000,317
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,001,974**	**$2,000,317**

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, 2014	December 31, 2013
1. Total side account	$2,001,974	$2,000,317
2. Combined valuation payroll	2,111,298	2,174,624
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.37%)	(8.59%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Morrow County Schools/3809
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Morrow County Schools/3809

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Morrow County Schools -- #3809

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Morrow County Schools to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Morrow County Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Morrow County Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.16%)	(9.16%)	(9.16%)
Net pension contribution rate	**17.28%**	**11.66%**	**16.46%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.78%**	**12.09%**	**16.89%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Morrow County Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$22,796,059	$11,714,060
Allocated pooled OPSRP UAL	1,103,896	658,664
Side account	8,949,116	8,962,128
Net unfunded pension actuarial accrued liability	14,950,839	3,410,596
Combined valuation payroll	9,656,047	9,315,526
Net pension UAL as a percentage of payroll	155%	37%
Calculated Side Account Rate Relief	(9.16%)	(8.99%)
Allocated Pooled RHIA UAL	$76,752	$128,937

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$8,962,128**	**$8,962,128**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(656,335)	(656,335)
5. Side account earnings during 2014		644,323	644,323
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$8,949,116**	**$8,949,116**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$8,949,116	$8,962,128
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,949,116**	**$8,962,128**

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, 2014	December 31, 2013
1. Total side account	$8,949,116	$8,962,128
2. Combined valuation payroll	9,656,047	9,315,526
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.16%)	(8.99%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Multnomah Education Service District/4238
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Multnomah Education Service District/4238

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Multnomah Education Service District -- #4238

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Multnomah Education Service District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Multnomah Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Multnomah Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(18.48%)	(18.48%)	(18.48%)
Net pension contribution rate	**7.96%**	**2.34%**	**7.14%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**8.46%**	**2.77%**	**7.57%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Multnomah Education Service District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$40,811,550	$22,114,827
Allocated pooled OPSRP UAL	1,976,294	1,243,484
Side account	32,315,874	31,580,079
Net unfunded pension actuarial accrued liability	10,471,970	(8,221,768)
Combined valuation payroll	17,287,122	17,586,664
Net pension UAL as a percentage of payroll	61%	(47%)
Calculated Side Account Rate Relief	(18.48%)	(16.78%)
Allocated Pooled RHIA UAL	$137,408	$243,418

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$31,580,079**	**$31,580,079**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,548,788)	(1,548,788)
5. Side account earnings during 2014		2,285,583	2,285,583
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$32,315,874**	**$32,315,874**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$32,315,874	$31,580,079
Side Account 2	0	0
Side Account 3	0	0
Total	**$32,315,874**	**$31,580,079**

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, 2014	December 31, 2013
1. Total side account	$32,315,874	$31,580,079
2. Combined valuation payroll	17,287,122	17,586,664
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(18.48%)	(16.78%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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.

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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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Nestucca Valley School District #101/4336
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

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

Contents of Report

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- 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Nestucca Valley School District #101/4336

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Nestucca Valley School District #101 -- #4336

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Nestucca Valley School District #101 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Nestucca Valley School District #101.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Nestucca Valley School District #101

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(8.16%)	(8.16%)	(8.16%)
Net pension contribution rate	**18.28%**	**12.66%**	**17.46%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**18.78%**	**13.09%**	**17.89%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Nestucca Valley School District #101

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$6,775,829	$3,719,940
Allocated pooled OPSRP UAL	328,119	209,167
Side account	2,369,061	2,371,646
Net unfunded pension actuarial accrued liability	4,734,887	1,557,461
Combined valuation payroll	2,870,133	2,958,257
Net pension UAL as a percentage of payroll	165%	53%
Calculated Side Account Rate Relief	(8.16%)	(7.49%)
Allocated Pooled RHIA UAL	$22,814	$40,945

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$2,371,646**	**$2,371,646**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(172,215)	(172,215)
5. Side account earnings during 2014		170,630	170,630
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$2,369,061**	**$2,369,061**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$2,369,061	$2,371,646
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,369,061**	**$2,371,646**

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, 2014	December 31, 2013
1. Total side account	$2,369,061	$2,371,646
2. Combined valuation payroll	2,870,133	2,958,257
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.16%)	(7.49%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Newberg School District #29Jt/4135
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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
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Milliman

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Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Newberg School District #29Jt/4135

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

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Newberg School District #29Jt -- #4135

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Newberg School District #29Jt to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Newberg School District #29Jt.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Newberg School District #29Jt

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(17.12%)	(17.12%)	(17.12%)
Net pension contribution rate	**9.32%**	**3.70%**	**8.50%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**9.82%**	**4.13%**	**8.93%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Newberg School District #29Jt

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$56,729,947	$29,497,015
Allocated pooled OPSRP UAL	2,747,141	1,658,574
Side account	41,619,883	41,893,720
Net unfunded pension actuarial accrued liability	17,857,205	(10,738,131)
Combined valuation payroll	24,029,901	23,457,299
Net pension UAL as a percentage of payroll	74%	(46%)
Calculated Side Account Rate Relief	(17.12%)	(16.69%)
Allocated Pooled RHIA UAL	$191,004	$324,674

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$41,893,720**	**$41,893,720**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(3,277,153)	(3,277,153)
5. Side account earnings during 2014		3,004,316	3,004,316
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$41,619,883**	**$41,619,883**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$41,619,883	$41,893,720
Side Account 2	0	0
Side Account 3	0	0
Total	**$41,619,883**	**$41,893,720**

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, 2014	December 31, 2013
1. Total side account	$41,619,883	$41,893,720
2. Combined valuation payroll	24,029,901	23,457,299
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(17.12%)	(16.69%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

North Bend Public Schools/3245
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
North Bend Public Schools/3245

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Bend Public Schools -- #3245

November 2015

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Executive Summary

Milliman has prepared this report for North Bend Public Schools to:

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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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Bend Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Bend Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.95%)	(9.95%)	(9.95%)
Net pension contribution rate	**16.49%**	**10.87%**	**15.67%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**16.99%**	**11.30%**	**16.10%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

North Bend Public Schools

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$22,985,719	$11,147,576
Allocated pooled OPSRP UAL	1,113,081	626,812
Side account	9,798,948	9,955,917
Net unfunded pension actuarial accrued liability	14,299,852	1,818,471
Combined valuation payroll	9,736,384	8,865,033
Net pension UAL as a percentage of payroll	147%	21%
Calculated Side Account Rate Relief	(9.95%)	(10.49%)
Allocated Pooled RHIA UAL	$77,391	$122,702

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$9,955,917**	**$9,955,917**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(867,741)	(867,741)
5. Side account earnings during 2014		711,773	711,773
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$9,798,948**	**$9,798,948**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$9,798,948	$9,955,917
Side Account 2	0	0
Side Account 3	0	0
Total	**$9,798,948**	**$9,955,917**

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, 2014	December 31, 2013
1. Total side account	$9,798,948	$9,955,917
2. Combined valuation payroll	9,736,384	8,865,033
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.95%)	(10.49%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

North Clackamas School District #12/4321
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
North Clackamas School District #12/4321

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Clackamas School District #12 -- #4321

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for North Clackamas School District #12 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Clackamas School District #12.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Clackamas School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(17.23%)	(17.23%)	(17.23%)
Net pension contribution rate	**9.21%**	**3.59%**	**8.39%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**9.71%**	**4.02%**	**8.82%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

North Clackamas School District #12

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$182,206,459	$93,248,923
Allocated pooled OPSRP UAL	8,823,326	5,243,250
Side account	134,521,149	135,030,569
Net unfunded pension actuarial accrued liability	56,508,636	(36,538,396)
Combined valuation payroll	77,179,751	74,155,566
Net pension UAL as a percentage of payroll	73%	(49%)
Calculated Side Account Rate Relief	(17.23%)	(17.01%)
Allocated Pooled RHIA UAL	$613,470	$1,026,392

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$135,030,569**	**$135,030,569**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(10,184,679)	(10,184,679)
5. Side account earnings during 2014		9,677,260	9,677,260
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$134,521,149**	**$134,521,149**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$60,263,125	$60,492,944
Side Account 2	74,258,024	74,537,625
Side Account 3	0	0
Total	**$134,521,149**	**$135,030,569**

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, 2014	December 31, 2013
1. Total side account	$134,521,149	$135,030,569
2. Combined valuation payroll	77,179,751	74,155,566
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(17.23%)	(17.01%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

North Marion School District #15/3730
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
North Marion School District #15/3730

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Marion School District #15 -- #3730

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for North Marion School District #15 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Marion School District #15.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Marion School District #15

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(14.21%)	(14.21%)	(14.21%)
Net pension contribution rate	**12.23%**	**6.61%**	**11.41%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**12.73%**	**7.04%**	**11.84%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

North Marion School District #15

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$21,429,218	$10,610,286
Allocated pooled OPSRP UAL	1,037,707	596,601
Side account	13,049,604	13,293,133
Net unfunded pension actuarial accrued liability	9,417,321	(2,086,246)
Combined valuation payroll	9,077,075	8,437,757
Net pension UAL as a percentage of payroll	104%	(25%)
Calculated Side Account Rate Relief	(14.21%)	(14.72%)
Allocated Pooled RHIA UAL	$72,150	$116,788

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
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Unfunded actuarial accrued liability	6,782.0	3,424.8
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Combined valuation payroll	$2,872.7	$2,723.5
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▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
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▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
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▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
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Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$13,293,133**	**$13,293,133**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,193,854)	(1,193,854)
5. Side account earnings during 2014		951,325	951,325
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$13,049,604**	**$13,049,604**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$13,049,604	$13,293,133
Side Account 2	0	0
Side Account 3	0	0
Total	**$13,049,604**	**$13,293,133**

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, 2014	December 31, 2013
1. Total side account	$13,049,604	$13,293,133
2. Combined valuation payroll	9,077,075	8,437,757
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.21%)	(14.72%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

North Santiam School District #29J/4342
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
North Santiam School District #29J/4342

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Santiam School District #29J -- #4342

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for North Santiam School District #29J to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Santiam School District #29J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Santiam School District #29J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(18.13%)	(18.13%)	(18.13%)
Net pension contribution rate	**8.31%**	**2.69%**	**7.49%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**8.81%**	**3.12%**	**7.92%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

North Santiam School District #29J

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$23,647,590	$12,459,266
Allocated pooled OPSRP UAL	1,145,132	700,566
Side account	18,379,270	18,615,555
Net unfunded pension actuarial accrued liability	6,413,452	(5,455,723)
Combined valuation payroll	10,016,742	9,908,146
Net pension UAL as a percentage of payroll	64%	(55%)
Calculated Side Account Rate Relief	(18.13%)	(17.55%)
Allocated Pooled RHIA UAL	$79,619	$137,139

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$18,615,555**	**$18,615,555**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,572,342)	(1,572,342)
5. Side account earnings during 2014		1,337,057	1,337,057
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$18,379,270**	**$18,379,270**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$18,379,270	$18,615,555
Side Account 2	0	0
Side Account 3	0	0
Total	**$18,379,270**	**$18,615,555**

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, 2014	December 31, 2013
1. Total side account	$18,379,270	$18,615,555
2. Combined valuation payroll	10,016,742	9,908,146
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(18.13%)	(17.55%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

North Wasco County School District #21/4381
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
North Wasco County School District #21/4381

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 actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Wasco County School District #21 -- #4381

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for North Wasco County School District #21 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Wasco County School District #21.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for North Wasco County School District #21

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(12.94%)	(12.94%)	(12.94%)
Net pension contribution rate	**13.50%**	**7.88%**	**12.68%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**14.00%**	**8.31%**	**13.11%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

North Wasco County School District #21

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$31,735,097	$16,237,986
Allocated pooled OPSRP UAL	1,536,768	913,038
Side account	17,605,280	17,600,335
Net unfunded pension actuarial accrued liability	15,666,585	(449,311)
Combined valuation payroll	13,442,481	12,913,147
Net pension UAL as a percentage of payroll	117%	(3%)
Calculated Side Account Rate Relief	(12.94%)	(12.73%)
Allocated Pooled RHIA UAL	$106,849	$178,732

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$17,600,335**	**$17,600,335**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,261,065)	(1,261,065)
5. Side account earnings during 2014		1,267,010	1,267,010
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$17,605,280**	**$17,605,280**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$17,605,280	$17,600,335
Side Account 2	0	0
Side Account 3	0	0
Total	**$17,605,280**	**$17,600,335**

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, 2014	December 31, 2013
1. Total side account	$17,605,280	$17,600,335
2. Combined valuation payroll	13,442,481	12,913,147
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.94%)	(12.73%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

Glossary

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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.

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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.

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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.

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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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Ontario School District #8C/3684
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Ontario School District #8C/3684

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL
Ontario School District #8C -- #3684

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Ontario School District #8C to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Ontario School District #8C.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Ontario School District #8C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.73%)	(9.73%)	(9.73%)
Net pension contribution rate	**16.71%**	**11.09%**	**15.89%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.21%**	**11.52%**	**16.32%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Ontario School District #8C

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$28,124,066	$14,829,935
Allocated pooled OPSRP UAL	1,361,905	833,865
Side account	11,723,036	11,666,782
Net unfunded pension actuarial accrued liability	17,762,935	3,997,018
Combined valuation payroll	11,912,906	11,793,404
Net pension UAL as a percentage of payroll	149%	34%
Calculated Side Account Rate Relief	(9.73%)	(9.24%)
Allocated Pooled RHIA UAL	$94,691	$163,233

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$11,666,782**	**$11,666,782**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(788,623)	(788,623)
5. Side account earnings during 2014		845,876	845,876
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$11,723,036**	**$11,723,036**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$11,723,036	$11,666,782
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,723,036**	**$11,666,782**

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, 2014	December 31, 2013
1. Total side account	$11,723,036	$11,666,782
2. Combined valuation payroll	11,912,906	11,793,404
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.73%)	(9.24%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	\$5.5 million added to OPSRP normal cost. \$33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

Combined Valuation Payroll

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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

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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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Oregon City School District #62/3122
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Oregon City School District #62/3122

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Oregon City School District #62 -- #3122

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Oregon City School District #62 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Oregon City School District #62.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Oregon City School District #62

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(10.77%)	(10.77%)	(10.77%)
Net pension contribution rate	**15.67%**	**10.05%**	**14.85%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**16.17%**	**10.48%**	**15.28%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Oregon City School District #62

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$91,292,263	$45,440,453
Allocated pooled OPSRP UAL	4,420,817	2,555,050
Side account	42,143,977	42,558,632
Net unfunded pension actuarial accrued liability	53,569,103	5,436,871
Combined valuation payroll	38,669,947	36,136,208
Net pension UAL as a percentage of payroll	139%	15%
Calculated Side Account Rate Relief	(10.77%)	(11.00%)
Allocated Pooled RHIA UAL	$307,371	$500,164

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$42,558,632**	**$42,558,632**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(3,462,115)	(3,462,115)
5. Side account earnings during 2014		3,048,460	3,048,460
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$42,143,977**	**$42,143,977**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$42,143,977	$42,558,632
Side Account 2	0	0
Side Account 3	0	0
Total	**$42,143,977**	**$42,558,632**

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, 2014	December 31, 2013
1. Total side account	$42,143,977	$42,558,632
2. Combined valuation payroll	38,669,947	36,136,208
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.77%)	(11.00%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Pendleton School District #16R/3931
Oregon Public Employees Retirement System

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

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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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Pendleton School District #16R/3931

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Pendleton School District #16R -- #3931

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Pendleton School District #16R to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Pendleton School District #16R.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Pendleton School District #16R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(22.42%)	(22.42%)	(22.42%)
Net pension contribution rate	**4.02%**	**0.00%**	**3.20%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**4.52%**	**0.43%**	**3.63%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Pendleton School District #16R

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$34,163,972	$18,230,542
Allocated pooled OPSRP UAL	1,654,386	1,025,077
Side account	32,835,376	33,083,287
Net unfunded pension actuarial accrued liability	2,982,982	(13,827,668)
Combined valuation payroll	14,471,314	14,497,713
Net pension UAL as a percentage of payroll	21%	(95%)
Calculated Side Account Rate Relief	(22.42%)	(21.32%)
Allocated Pooled RHIA UAL	$115,027	$200,664

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$33,083,287**	**$33,083,287**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(2,620,677)	(2,620,677)
5. Side account earnings during 2014		2,374,765	2,374,765
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$32,835,376**	**$32,835,376**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$14,570,638	$14,681,420
Side Account 2	18,264,737	18,401,867
Side Account 3	0	0
Total	**$32,835,376**	**$33,083,287**

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, 2014	December 31, 2013
1. Total side account	$32,835,376	$33,083,287
2. Combined valuation payroll	14,471,314	14,497,713
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(22.42%)	(21.32%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Philomath School District #17J/3043
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Philomath School District #17J/3043

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Philomath School District #17J -- #3043

November 2015

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- Provide advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Philomath School District #17J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Philomath School District #17J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(11.96%)	(11.96%)	(11.96%)
Net pension contribution rate	**14.48%**	**8.86%**	**13.66%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**14.98%**	**9.29%**	**14.09%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Philomath School District #17J

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$14,052,670	$7,339,221
Allocated pooled OPSRP UAL	680,499	412,674
Side account	7,201,896	7,214,193
Net unfunded pension actuarial accrued liability	7,531,273	537,702
Combined valuation payroll	5,952,487	5,836,465
Net pension UAL as a percentage of payroll	127%	9%
Calculated Side Account Rate Relief	(11.96%)	(11.55%)
Allocated Pooled RHIA UAL	$47,314	$80,783

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$7,214,193**	**$7,214,193**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(529,610)	(529,610)
5. Side account earnings during 2014		518,314	518,314
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$7,201,896**	**$7,201,896**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$7,201,896	$7,214,193
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,201,896**	**$7,214,193**

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, 2014	December 31, 2013
1. Total side account	$7,201,896	$7,214,193
2. Combined valuation payroll	5,952,487	5,836,465
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.96%)	(11.55%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Pilot Rock School District #2R/3958
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Pilot Rock School District #2R/3958

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Pilot Rock School District #2R -- #3958

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Pilot Rock School District #2R to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Pilot Rock School District #2R.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Pilot Rock School District #2R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(13.68%)	(13.68%)	(13.68%)
Net pension contribution rate	**12.76%**	**7.14%**	**11.94%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**13.26%**	**7.57%**	**12.37%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Pilot Rock School District #2R

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$4,093,532	$2,114,694
Allocated pooled OPSRP UAL	198,229	118,906
Side account	2,400,830	2,412,028
Net unfunded pension actuarial accrued liability	1,890,931	(178,428)
Combined valuation payroll	1,733,955	1,681,696
Net pension UAL as a percentage of payroll	109%	(11%)
Calculated Side Account Rate Relief	(13.68%)	(13.40%)
Allocated Pooled RHIA UAL	$13,782	$23,276

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2014	December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$2,412,028**	**$2,412,028**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(183,466)	(183,466)
5. Side account earnings during 2014		173,267	173,267
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$2,400,830**	**$2,400,830**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$2,400,830	$2,412,028
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,400,830**	**$2,412,028**

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, 2014	December 31, 2013
1. Total side account	$2,400,830	$2,412,028
2. Combined valuation payroll	1,733,955	1,681,696
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(13.68%)	(13.40%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Portland Public Schools/3818
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Portland Public Schools/3818

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Portland Public Schools -- #3818

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Portland Public Schools to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Portland Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Portland Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(23.26%)	(23.26%)	(23.26%)
Net pension contribution rate	**3.18%**	**0.00%**	**2.36%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**3.68%**	**0.43%**	**2.79%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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Pension

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

Executive Summary

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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 actuarial valuation report.

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Portland Public Schools

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$655,957,790	$312,302,169
Allocated pooled OPSRP UAL	31,764,677	17,560,292
Side account	653,803,916	656,519,837
Net unfunded pension actuarial accrued liability	33,918,551	(326,657,376)
Combined valuation payroll	277,853,261	248,356,156
Net pension UAL as a percentage of payroll	12%	(132%)
Calculated Side Account Rate Relief	(23.26%)	(24.70%)
Allocated Pooled RHIA UAL	$2,208,541	$3,437,515

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
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Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$656,519,837**	**$656,519,837**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(49,807,755)	(49,807,755)
5. Side account earnings during 2014		47,093,834	47,093,834
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$653,803,916**	**$653,803,916**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$273,193,294	$274,368,565
Side Account 2	380,610,621	382,151,272
Side Account 3	0	0
Total	**$653,803,916**	**$656,519,837**

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, 2014	December 31, 2013
1. Total side account	$653,803,916	$656,519,837
2. Combined valuation payroll	277,853,261	248,356,156
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(23.26%)	(24.70%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Rainier School District #13/4320
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Rainier School District #13/4320

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Rainier School District #13 -- #4320

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Rainier School District #13 to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Rainier School District #13.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Rainier School District #13

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(14.31%)	(14.31%)	(14.31%)
Net pension contribution rate	**12.13%**	**6.51%**	**11.31%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**12.63%**	**6.94%**	**11.74%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Rainier School District #13

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$10,491,894	$5,233,266
Allocated pooled OPSRP UAL	508,069	294,259
Side account	6,432,788	6,488,373
Net unfunded pension actuarial accrued liability	4,567,175	(960,848)
Combined valuation payroll	4,444,199	4,161,719
Net pension UAL as a percentage of payroll	103%	(23%)
Calculated Side Account Rate Relief	(14.31%)	(14.57%)
Allocated Pooled RHIA UAL	$35,325	$57,603

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$6,488,373**	**$6,488,373**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(521,011)	(521,011)
5. Side account earnings during 2014		466,426	466,426
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$6,432,788**	**$6,432,788**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$6,432,788	$6,488,373
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,432,788**	**$6,488,373**

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, 2014	December 31, 2013
1. Total side account	$6,432,788	$6,488,373
2. Combined valuation payroll	4,444,199	4,161,719
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.31%)	(14.57%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Redmond School District #2J/4311
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Redmond School District #2J/4311

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Redmond School District #2J -- #4311

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Redmond School District #2J to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Redmond School District #2J.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Redmond School District #2J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(9.32%)	(9.32%)	(9.32%)
Net pension contribution rate	**17.12%**	**11.50%**	**16.30%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**17.62%**	**11.93%**	**16.73%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Redmond School District #2J

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$72,693,383	$35,934,554
Allocated pooled OPSRP UAL	3,520,168	2,020,547
Side account	29,047,209	29,306,496
Net unfunded pension actuarial accrued liability	47,166,342	8,648,605
Combined valuation payroll	30,791,758	28,576,707
Net pension UAL as a percentage of payroll	153%	30%
Calculated Side Account Rate Relief	(9.32%)	(9.58%)
Allocated Pooled RHIA UAL	$244,751	$395,532

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$29,306,496**	**$29,306,496**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(2,358,778)	(2,358,778)
5. Side account earnings during 2014		2,100,491	2,100,491
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$29,047,209**	**$29,047,209**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$29,047,209	$29,306,496
Side Account 2	0	0
Side Account 3	0	0
Total	**$29,047,209**	**$29,306,496**

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, 2014	December 31, 2013
1. Total side account	$29,047,209	$29,306,496
2. Combined valuation payroll	30,791,758	28,576,707
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.32%)	(9.58%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	\$5.5 million added to OPSRP normal cost. \$33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Reedsport School District/4312
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

November 2015
Reedsport School District/4312

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Reedsport School District/4312

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Reedsport School District -- #4312

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Reedsport School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Reedsport School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Reedsport School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(14.93%)	(14.93%)	(14.93%)
Net pension contribution rate	**11.51%**	**5.89%**	**10.69%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**12.01%**	**6.32%**	**11.12%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Reedsport School District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$6,089,877	$2,814,955
Allocated pooled OPSRP UAL	294,902	158,281
Side account	3,898,035	3,893,232
Net unfunded pension actuarial accrued liability	2,486,744	(919,996)
Combined valuation payroll	2,579,575	2,238,574
Net pension UAL as a percentage of payroll	96%	(41%)
Calculated Side Account Rate Relief	(14.93%)	(16.25%)
Allocated Pooled RHIA UAL	$20,504	$30,984

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2014**	**December 31, 2013**
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$3,893,232**	**$3,893,232**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(273,366)	(273,366)
5. Side account earnings during 2014		279,170	279,170
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$3,898,035**	**$3,898,035**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$3,898,035	$3,893,232
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,898,035**	**$3,893,232**

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, 2014	December 31, 2013
1. Total side account	$3,898,035	$3,893,232
2. Combined valuation payroll	2,579,575	2,238,574
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.93%)	(16.25%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Reynolds School District/3824
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Reynolds School District/3824

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Reynolds School District -- #3824

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Reynolds School District to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Reynolds School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Reynolds School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(15.58%)	(15.58%)	(15.58%)
Net pension contribution rate	**10.86%**	**5.24%**	**10.04%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**11.36%**	**5.67%**	**10.47%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Reynolds School District

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$144,198,121	$71,791,101
Allocated pooled OPSRP UAL	6,982,777	4,036,708
Side account	96,259,581	96,675,723
Net unfunded pension actuarial accrued liability	54,921,317	(20,847,914)
Combined valuation payroll	61,080,025	57,091,380
Net pension UAL as a percentage of payroll	90%	(37%)
Calculated Side Account Rate Relief	(15.58%)	(15.82%)
Allocated Pooled RHIA UAL	$485,500	$790,206

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$96,675,723**	**$96,675,723**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(7,356,053)	(7,356,053)
5. Side account earnings during 2014		6,940,912	6,940,912
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$96,259,581**	**$96,259,581**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$96,259,581	$96,675,723
Side Account 2	0	0
Side Account 3	0	0
Total	**$96,259,581**	**$96,675,723**

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, 2014	December 31, 2013
1. Total side account	$96,259,581	$96,675,723
2. Combined valuation payroll	61,080,025	57,091,380
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(15.58%)	(15.82%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members’ regular account balances starting in 2015. 7.50% compounded annually on members’ variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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.

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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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Riverdale School/3847
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

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

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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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

November 2015
Riverdale School/3847

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Riverdale School -- #3847

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Riverdale School to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Riverdale School.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Riverdale School

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(12.66%)	(12.66%)	(12.66%)
Net pension contribution rate	**13.78%**	**8.16%**	**12.96%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**14.28%**	**8.59%**	**13.39%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Riverdale School

	Actuarial Valuation as of	
	December 31, 2014	**December 31, 2013**
Allocated pooled T1/T2 UAL	$9,097,276	$4,335,008
Allocated pooled OPSRP UAL	440,534	243,751
Side account	4,935,353	4,969,124
Net unfunded pension actuarial accrued liability	4,602,457	(390,365)
Combined valuation payroll	3,853,461	3,447,385
Net pension UAL as a percentage of payroll	119%	(11%)
Calculated Side Account Rate Relief	(12.66%)	(13.47%)
Allocated Pooled RHIA UAL	$30,630	$47,715

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$4,969,124**	**$4,969,124**
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(390,387)	(390,387)
5. Side account earnings during 2014		357,616	357,616
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$4,935,353**	**$4,935,353**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$4,935,353	$4,969,124
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,935,353**	**$4,969,124**

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, 2014	December 31, 2013
1. Total side account	$4,935,353	$4,969,124
2. Combined valuation payroll	3,853,461	3,447,385
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.66%)	(13.47%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.

- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.

- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.

- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.

- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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November 2015

Roseburg Public Schools/3310
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, 2014. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board. GASB 68 information will be provided separately by PERS and is not included in this report.

This valuation is advisory and does not affect employer contribution rates. Employer contribution rates effective July 1, 2017 through June 30, 2019 will be calculated in the December 31, 2015 actuarial valuation.

This report reflects the the benefit provisions in effect as of December 31, 2014, as adjusted for the Oregon Supreme Court decision announced in April 2015. 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 actuarial valuation report. Further, costs of pension obligation bond payments are not included in this or the system-wide actuarial valuation report.

If you have any questions about this report, please contact Debra Hembree, Actuarial Services Coordinator 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 actuarial valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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 2015.

Some of the actuarial computations presented in this report are for purposes of estimating the contribution rates effective from July 2017 to June 2019 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.

Milliman

November 2015
Roseburg Public Schools/3310

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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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 actuarial valuation report.

Sincerely,

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

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

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Roseburg Public Schools -- #3310

November 2015

CONTENTS

Executive Summary

Milliman has prepared this report for Roseburg Public Schools to:

- Provide summary December 31, 2014 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 advisory information calculated as of December 31, 2014 on estimated employer-specific contribution rates effective July 1, 2017 through June 30, 2019,
- Provide employer-specific information on side accounts as of December 31, 2014, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45. GASB 68 information will be provided separately by PERS and is not included in this report.

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, 2014 system-wide actuarial valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Roseburg Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates calculated as of December 31, 2014 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.

Advisory 2017 - 2019 Employer Rates Calculated as of December 31, 2014 for Roseburg Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	13.72%	8.10%	12.90%
Tier 1/Tier 2 UAL rate[1]	11.71%	11.71%	11.71%
OPSRP UAL rate	1.01%	1.01%	1.01%
Side account rate relief [2]	(15.37%)	(15.37%)	(15.37%)
Net pension contribution rate	**11.07%**	**5.45%**	**10.25%**
Retiree Healthcare			
Normal cost rate	0.07%	0.00%	0.00%
UAL rate	0.43%	0.43%	0.43%
Net retiree healthcare rate	**0.50%**	**0.43%**	**0.43%**
Total net employer contribution rate	**11.57%**	**5.88%**	**10.68%**

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, 2014 is 75%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
2015-2017 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum 2017-2019 Rate	16.95%	12.71%
Maximum 2017-2019 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

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 replaced many of the key elements of the prior reporting requirements. Under the new rules, employers are 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.

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 was calculated as a part of the December 31, 2013 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		
		OPSRP	
	Tier 1 / Tier 2	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%

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 actuarial valuation 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.

Roseburg Public Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	$58,759,679	$31,124,734
Allocated pooled OPSRP UAL	2,845,430	1,750,098
Side account	38,719,302	39,070,326
Net unfunded pension actuarial accrued liability	22,885,807	(6,195,494)
Combined valuation payroll	24,889,663	24,751,731
Net pension UAL as a percentage of payroll	92%	(25%)
Calculated Side Account Rate Relief	(15.37%)	(14.75%)
Allocated Pooled RHIA UAL	$197,838	$342,590

In the above exhibit, 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 proportionate share of Net Pension Liability (NPL) that will be allocated to employers under GASB 68.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Normal cost	$223.1	$198.6
Tier 1/Tier 2 valuation payroll	1,626.0	1,663.0
Normal cost rate	13.72%	11.94%
Actuarial accrued liability	$27,059.9	$23,392.6
Actuarial asset value	20,277.9	19,967.8
Unfunded actuarial accrued liability	6,782.0	3,424.8
Funded status	75%	85%
Combined valuation payroll	$2,872.7	$2,723.5
UAL as a percentage of payroll	236%	126%
UAL rate (includes Multnomah Fire District #10)	11.71%	9.25%
Tier 1/Tier 2 Active Members		
▪ Count	30,320	32,499
▪ Average Age	51.8	51.4
▪ Average Service	17.9	17.2
▪ Average Valuation Payroll	$53,626	$51,171
Tier 1/Tier 2 Dormant Members		
▪ Count	13,670	13,923
▪ Average Age	54.5	53.8
▪ Average Monthly Benefit	$1,032	$1,007
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	63,492	62,324
▪ Average Age	71.6	71.3
▪ Average Monthly Benefit	$2,098	$2,071

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
General service normal cost	$301.3	$234.7
OPSRP general service valuation payroll	3,720.4	3,200.0
General service normal cost rate	8.10%	7.33%
Police and fire normal cost	$59.6	$45.5
OPSRP police and fire valuation payroll	462.3	398.1
Police and fire normal cost rate	12.90%	11.44%
Actuarial accrued liability	$3,064.1	$2,243.3
Actuarial asset value	2,024.6	1,630.2
Unfunded actuarial accrued liability	1,039.5	613.2
Funded status	66%	73%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	11%	7%
UAL rate	1.01%	0.61%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2014	Actuarial Valuation as of December 31, 2013
Normal cost	$3.5	$4.0
Tier 1 / Tier 2 valuation payroll	4,933.1	5,073.7
Normal cost rate	0.07%	0.08%
Actuarial accrued liability	$468.4	$473.6
Actuarial asset value	395.9	353.5
Unfunded actuarial accrued liability	72.5	120.0
Funded status	85%	75%
Combined valuation payroll	$9,115.8	$8,671.8
UAL as a percentage of payroll	1%	1%
UAL rate	0.43%	0.45%

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, 2013	**N/A**	**$39,070,326**	**$39,070,326**
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(3,149,226)	(3,149,226)
5. Side account earnings during 2014		2,800,202	2,800,202
6. Side account as of December 31, 2014 ***(1. + 2. + 3. + 4. + 5.)***		**$38,719,302**	**$38,719,302**

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	$24,865,680	$25,083,627
Side Account 2	13,853,622	13,986,699
Side Account 3	0	0
Total	**$38,719,302**	**$39,070,326**

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, 2014	December 31, 2013
1. Total side account	$38,719,302	$39,070,326
2. Combined valuation payroll	24,889,663	24,751,731
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(15.37%)	(14.75%)

[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, 2014 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL was 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 projected combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	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 generally will not increase or decrease from the prior contribution rate by more than the greater of 3 percent of payroll 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.

Economic Assumptions

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

Net investment return	7.50% compounded annually on system assets.
Interest crediting	7.50% compounded annually on members' regular account balances starting in 2015. 7.50% compounded annually on members' variable account balances starting in 2015.
Consumer price inflation	2.50% per year.
Future general wage inflation	3.50% per year.
Healthcare cost inflation	Ranging from 7.0% in 2015 to 4.4% in 2094.
Administrative Expenses	$5.5 million added to OPSRP normal cost. $33.0 million added to Tier 1/Tier 2 normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2013 actuarial valuation are described briefly below and are described in additional detail in the system-wide actuarial valuation report.

Changes in Actuarial Methods and Valuation Procedures

- **Allocation of Liability for Service Segments**

  For allocating Tier 1/Tier 2 liability among multiple employers, the weighting between Money Match and Full Formula methodologies was updated to reflect expected future experience.

Changes in Economic Assumptions

- **Investment Return and Interest Crediting**

  The assumed investment return and interest crediting to both regular and variable account balances was reduced from 7.75% to 7.50%.
- **Inflation**

  The inflation assumption was reduced from 2.75% to 2.50%.
- **Payroll Growth**

  The assumed payroll growth rate was reduced from 3.75% to 3.50%.
- **Tier 1/Tier 2 Administrative Expenses**

  Administrative expenses for the Tier 1/Tier 2 System are assumed to be $33.0 million per year.

Changes in Demographic Assumptions

- **Mortality**

  The healthy mortality assumption is based on RP2000 generational mortality tables with group-specific class and setback adjustments. The group-specific adjustments have been updated to more closely match system experience and the future projection of mortality has been changed to use mortality improvement Scale BB.
- **Disability, Retirement, and Termination**

  Rates for the disability, retirement, and termination assumptions were adjusted.

A complete summary of all assumptions used as part of the December 31, 2014 actuarial valuation is contained in the system-wide actuarial valuation report.

Brief Summary of Changes in Plan Provisions

The following change in plan provisions occurred since the December 31, 2013 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 actuarial valuation report.

- The Oregon Supreme Court decision in Moro v. State of Oregon stated that the reduced COLA amounts provided by Senate Bills 822 and 861 (both passed in 2013) only apply to benefits earned after the effective date of the legislation. As a result, PERS members who performed service both before and after the effective date will receive a blended COLA rate reflecting the differing COLA provisions applicable to each service period.

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.

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 used to provide pensions to the employees of more than one employer wherein pension obligations are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pension through the plan.

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.

Normal Cost

The annual cost allocated 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.

Glossary

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 estimated cost (as of the valuation date) of a series of future payments. 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 permissible period-to-period change in the base 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 prior to GASB 68.

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 pre-collar UAL rate. The final UAL rate can be adjusted by the rate collar.

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