

November 2015

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Salem-Keizer Public Schools/3735

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Salem-Keizer Public Schools/3735

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Salem-Keizer Public Schools -- #3735

November 2015

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Executive Summary

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

	Payroll		
	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	(10.00%)	(10.00%)	(10.00%)
Net pension contribution rate	16.44%	10.82%	15.62%
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	16.94%	11.25%	16.05%

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

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.

Salem-Keizer Public Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$486,503,579	\$247,329,696
Allocated pooled OPSRP UAL	23,558,877	13,906,985
Side account	208,468,212	209,786,644
Net unfunded pension actuarial accrued liability	301,594,244	51,450,037
Combined valuation payroll	206,075,159	196,687,243
Net pension UAL as a percentage of payroll	146%	26%
Calculated Side Account Rate Relief	(10.00%)	(9.97%)
Allocated Pooled RHIA UAL	\$1,638,007	\$2,722,362

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	\$209,786,644	\$209,786,644
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(16,367,338)	(16,367,338)
5. Side account earnings during 2014		15,050,906	15,050,906
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$208,468,212	\$208,468,212

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$129,627,885	\$130,446,089
Side Account 2	78,840,328	79,340,556
Side Account 3	0	0
Total	\$208,468,212	\$209,786,644

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	\$208,468,212	\$209,786,644
2. Combined valuation payroll	206,075,159	196,687,243
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(10.00%)	(9.97%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Santiam Canyon School District/3665
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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November 2015
Santiam Canyon School District/3665

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Santiam Canyon School District/3665

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Santiam Canyon School District -- #3665

November 2015

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Executive Summary

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

	Payroll		
	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	(21.45%)	(21.45%)	(21.45%)
Net pension contribution rate	4.99%	0.00%	4.17%
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	5.49%	0.43%	4.60%

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

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.

Santiam Canyon School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$5,358,932	\$2,629,581
Allocated pooled OPSRP UAL	259,506	147,857
Side account	4,927,298	4,828,440
Net unfunded pension actuarial accrued liability	691,140	(2,051,002)
Combined valuation payroll	2,269,958	2,091,156
Net pension UAL as a percentage of payroll	30%	(98%)
Calculated Side Account Rate Relief	(21.45%)	(21.57%)
Allocated Pooled RHIA UAL	\$18,043	\$28,944

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	\$4,828,440	\$4,828,440
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(250,165)	(250,165)
5. Side account earnings during 2014		350,024	350,024
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$4,927,298	\$4,927,298

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$4,927,298	\$4,828,440
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,927,298	\$4,828,440

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	\$4,927,298	\$4,828,440
2. Combined valuation payroll	2,269,958	2,091,156
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(21.45%)	(21.57%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

School Districts/3000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
School Districts/3000

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

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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
School Districts/3000

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

School Districts -- #3000

November 2015

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Executive Summary

Milliman has prepared this report for School Districts 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 School Districts.

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 School Districts

	Payroll		
	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	0.00%	0.00%	0.00%
Net pension contribution rate	26.44%	20.82%	25.62%
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	26.94%	21.25%	26.05%

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

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.

School Districts

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	N/A	N/A
Allocated pooled OPSRP UAL	N/A	N/A
Side account	N/A	N/A
Net unfunded pension actuarial accrued liability	N/A	N/A
Combined valuation payroll	N/A	N/A
Net pension UAL as a percentage of payroll	N/A	N/A
Calculated Side Account Rate Relief	N/A	N/A
Allocated Pooled RHIA UAL	N/A	N/A

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		
2. Deposits during 2014		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2014			
5. Side account earnings during 2014			
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1		
Side Account 2		
Side Account 3		
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2014	December 31, 2013
1. Total side account	\$0	\$0
2. Combined valuation payroll	0	0
3. Amortization factor	0.000	0.000
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Seaside Schools/3187
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Seaside Schools/3187

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Seaside Schools/3187

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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

Scott Preppernau, FSA, EA, MAAA
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ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Seaside Schools -- #3187

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 Seaside 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 Seaside Schools

	Payroll		
	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	(10.74%)	(10.74%)	(10.74%)
Net pension contribution rate	15.70%	10.08%	14.88%
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	16.20%	10.51%	15.31%

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

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.

Seaside Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$19,501,024	\$9,981,085
Allocated pooled OPSRP UAL	944,335	561,222
Side account	8,977,767	8,975,614
Net unfunded pension actuarial accrued liability	11,467,592	1,566,693
Combined valuation payroll	8,260,323	7,937,389
Net pension UAL as a percentage of payroll	139%	20%
Calculated Side Account Rate Relief	(10.74%)	(10.57%)
Allocated Pooled RHIA UAL	\$65,658	\$109,862

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	\$8,975,614	\$8,975,614
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(637,843)	(637,843)
5. Side account earnings during 2014		640,996	640,996
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$8,977,767	\$8,977,767

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$8,977,767	\$8,975,614
Side Account 2	0	0
Side Account 3	0	0
Total	\$8,977,767	\$8,975,614

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	\$8,977,767	\$8,975,614
2. Combined valuation payroll	8,260,323	7,937,389
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(10.74%)	(10.57%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Sherwood School District #88J/4317

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Sherwood School District #88J/4317

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sherwood School District #88J -- #4317

November 2015

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Executive Summary

Milliman has prepared this report for Sherwood School District #88J 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 Sherwood School District #88J.

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 Sherwood School District #88J

	Payroll		
	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	(5.15%)	(5.15%)	(5.15%)
Net pension contribution rate	21.29%	15.67%	20.47%
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	21.79%	16.10%	20.90%

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

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.

Sherwood School District #88J

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$53,108,515	\$27,051,199
Allocated pooled OPSRP UAL	2,571,773	1,521,049
Side account	11,736,498	11,791,296
Net unfunded pension actuarial accrued liability	43,943,790	16,780,952
Combined valuation payroll	22,495,920	21,512,280
Net pension UAL as a percentage of payroll	195%	78%
Calculated Side Account Rate Relief	(5.15%)	(5.12%)
Allocated Pooled RHIA UAL	\$178,811	\$297,753

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	\$11,791,296	\$11,791,296
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(901,174)	(901,174)
5. Side account earnings during 2014		848,376	848,376
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$11,736,498	\$11,736,498

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$7,767,143	\$7,802,468
Side Account 2	3,969,356	3,988,828
Side Account 3	0	0
Total	\$11,736,498	\$11,791,296

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	\$11,736,498	\$11,791,296
2. Combined valuation payroll	22,495,920	21,512,280
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(5.15%)	(5.12%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Silver Falls School District/4270
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Silver Falls School District/4270

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Silver Falls School District/4270

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

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

The consultants who worked on this assignment are 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,

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

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

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

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Silver Falls School District -- #4270

November 2015

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Executive Summary

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

	Payroll		
	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	(10.92%)	(10.92%)	(10.92%)
Net pension contribution rate	15.52%	9.90%	14.70%
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	16.02%	10.33%	15.13%

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

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.

Silver Falls School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$39,710,418	\$20,150,259
Allocated pooled OPSRP UAL	1,922,972	1,133,019
Side account	18,581,116	18,628,027
Net unfunded pension actuarial accrued liability	23,052,274	2,655,251
Combined valuation payroll	16,820,700	16,024,355
Net pension UAL as a percentage of payroll	137%	17%
Calculated Side Account Rate Relief	(10.92%)	(10.86%)
Allocated Pooled RHIA UAL	\$133,701	\$221,794

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
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	\$18,628,027	\$18,628,027
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,380,736)	(1,380,736)
5. Side account earnings during 2014		1,335,825	1,335,825
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$18,581,116	\$18,581,116

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$15,547,421	\$15,585,869
Side Account 2	3,033,696	3,042,158
Side Account 3	0	0
Total	\$18,581,116	\$18,628,027

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	\$18,581,116	\$18,628,027
2. Combined valuation payroll	16,820,700	16,024,355
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(10.92%)	(10.86%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Sisters School District/3296
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Sisters School District/3296

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Sisters School District/3296

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

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

The consultants who worked on this assignment are 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,

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

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

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

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sisters School District -- #3296

November 2015

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Executive Summary

Milliman has prepared this report for Sisters 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 Sisters 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 Sisters School District

	Payroll		
	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	(19.04%)	(19.04%)	(19.04%)
Net pension contribution rate	7.40%	1.78%	6.58%
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	7.90%	2.21%	7.01%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Sisters School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$12,699,682	\$6,678,307
Allocated pooled OPSRP UAL	614,981	375,511
Side account	10,362,052	10,313,968
Net unfunded pension actuarial accrued liability	2,952,611	(3,260,150)
Combined valuation payroll	5,379,383	5,310,878
Net pension UAL as a percentage of payroll	55%	(61%)
Calculated Side Account Rate Relief	(19.04%)	(18.14%)
Allocated Pooled RHIA UAL	\$42,758	\$73,508

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
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Executive Summary

Principal Valuation Results (continued)

OPSRP

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General service normal cost	\$301.3	\$234.7
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Unfunded actuarial accrued liability	1,039.5	613.2
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Combined valuation payroll	\$9,115.8	\$8,671.8
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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
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Unfunded actuarial accrued liability	72.5	120.0
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Combined valuation payroll	\$9,115.8	\$8,671.8
UAL as a percentage of payroll	1%	1%
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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	\$10,313,968	\$10,313,968
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(694,638)	(694,638)
5. Side account earnings during 2014		743,722	743,722
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$10,362,052	\$10,362,052

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$10,362,052	\$10,313,968
Side Account 2	0	0
Side Account 3	0	0
Total	\$10,362,052	\$10,313,968

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	\$10,362,052	\$10,313,968
2. Combined valuation payroll	5,379,383	5,310,878
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(19.04%)	(18.14%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Siuslaw School District #97J/3537

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Siuslaw School District #97J/3537

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Siuslaw School District #97J -- #3537

November 2015

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Executive Summary

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

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 Siuslaw School District #97J

	Payroll		
	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	(14.19%)	(14.19%)	(14.19%)
Net pension contribution rate	12.25%	6.63%	11.43%
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	12.75%	7.06%	11.86%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Siuslaw School District #97J

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$15,704,508	\$8,055,838
Allocated pooled OPSRP UAL	760,489	452,968
Side account	9,553,862	9,629,526
Net unfunded pension actuarial accrued liability	6,911,135	(1,120,720)
Combined valuation payroll	6,652,179	6,406,350
Net pension UAL as a percentage of payroll	104%	(17%)
Calculated Side Account Rate Relief	(14.19%)	(14.04%)
Allocated Pooled RHIA UAL	\$52,875	\$88,671

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	\$9,629,526	\$9,629,526
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(767,801)	(767,801)
5. Side account earnings during 2014		693,136	693,136
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$9,553,862	\$9,553,862

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$9,553,862	\$9,629,526
Side Account 2	0	0
Side Account 3	0	0
Total	\$9,553,862	\$9,629,526

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	\$9,553,862	\$9,629,526
2. Combined valuation payroll	6,652,179	6,406,350
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(14.19%)	(14.04%)

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

South Lane School District/3506
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
South Lane School District/3506

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
South Lane School District/3506

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Lane School District -- #3506

November 2015

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Executive Summary

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

	Payroll		
	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	(18.88%)	(18.88%)	(18.88%)
Net pension contribution rate	7.56%	1.94%	6.74%
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	8.06%	2.37%	7.17%

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

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.

South Lane School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$34,199,054	\$18,332,417
Allocated pooled OPSRP UAL	1,656,085	1,030,805
Side account	27,673,223	28,029,679
Net unfunded pension actuarial accrued liability	8,181,916	(8,666,457)
Combined valuation payroll	14,486,174	14,578,729
Net pension UAL as a percentage of payroll	56%	(59%)
Calculated Side Account Rate Relief	(18.88%)	(17.96%)
Allocated Pooled RHIA UAL	\$115,145	\$201,785

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	\$28,029,679	\$28,029,679
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(2,364,148)	(2,364,148)
5. Side account earnings during 2014		2,008,692	2,008,692
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$27,673,223	\$27,673,223

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$27,673,223	\$28,029,679
Side Account 2	0	0
Side Account 3	0	0
Total	\$27,673,223	\$28,029,679

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	\$27,673,223	\$28,029,679
2. Combined valuation payroll	14,486,174	14,578,729
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(18.88%)	(17.96%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

South Umpqua School District/3319
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
South Umpqua School District/3319

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
South Umpqua School District/3319

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Umpqua School District -- #3319

November 2015

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Executive Summary

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

	Payroll		
	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	(30.35%)	(30.35%)	(30.35%)
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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

South Umpqua School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$13,643,332	\$7,699,854
Allocated pooled OPSRP UAL	660,677	432,951
Side account	17,747,975	17,747,928
Net unfunded pension actuarial accrued liability	(3,443,966)	(9,615,123)
Combined valuation payroll	5,779,098	6,123,256
Net pension UAL as a percentage of payroll	(60%)	(157%)
Calculated Side Account Rate Relief	(30.35%)	(27.08%)
Allocated Pooled RHIA UAL	\$45,936	\$84,752

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	\$17,747,928	\$17,747,928
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,276,065)	(1,276,065)
5. Side account earnings during 2014		1,278,111	1,278,111
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$17,747,975	\$17,747,975

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$8,644,306	\$8,652,290
Side Account 2	9,103,669	9,095,639
Side Account 3	0	0
Total	\$17,747,975	\$17,747,928

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	\$17,747,975	\$17,747,928
2. Combined valuation payroll	5,779,098	6,123,256
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(30.35%)	(27.08%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Springfield School District #19/3487

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Springfield School District #19/3487

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Springfield School District #19 -- #3487

November 2015

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Executive Summary

Milliman has prepared this report for Springfield School District #19 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 Springfield School District #19.

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 Springfield School District #19

	Payroll		
	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	(11.01%)	(11.01%)	(11.01%)
Net pension contribution rate	15.43%	9.81%	14.61%
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	15.93%	10.24%	15.04%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Springfield School District #19

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$118,909,613	\$60,498,864
Allocated pooled OPSRP UAL	5,758,184	3,401,762
Side account	56,100,882	56,284,527
Net unfunded pension actuarial accrued liability	68,566,915	7,616,099
Combined valuation payroll	50,368,216	48,111,306
Net pension UAL as a percentage of payroll	136%	16%
Calculated Side Account Rate Relief	(11.01%)	(10.93%)
Allocated Pooled RHIA UAL	\$400,356	\$665,912

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	\$56,284,527	\$56,284,527
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(4,237,189)	(4,237,189)
5. Side account earnings during 2014		4,054,543	4,054,543
6. Side account as of December 31, 2014 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$56,100,882	\$56,100,882

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$56,100,882	\$56,284,527
Side Account 2	0	0
Side Account 3	0	0
Total	\$56,100,882	\$56,284,527

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	\$56,100,882	\$56,284,527
2. Combined valuation payroll	50,368,216	48,111,306
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(11.01%)	(10.93%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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.

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

November 2015

St Helens School District #502/4279
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
St Helens School District #502/4279

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
St Helens School District #502/4279

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

St Helens School District #502 -- #4279

November 2015

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Executive Summary

Milliman has prepared this report for St Helens School District #502 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 St Helens School District #502.

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 St Helens School District #502

	Payroll		
	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	(22.43%)	(22.43%)	(22.43%)
Net pension contribution rate	4.01%	0.00%	3.19%
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	4.51%	0.43%	3.62%

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

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.

St Helens School District #502

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$33,011,165	\$16,767,981
Allocated pooled OPSRP UAL	1,598,562	942,839
Side account	31,737,066	31,681,231
Net unfunded pension actuarial accrued liability	2,872,661	(13,970,411)
Combined valuation payroll	13,983,003	13,334,622
Net pension UAL as a percentage of payroll	21%	(105%)
Calculated Side Account Rate Relief	(22.43%)	(22.19%)
Allocated Pooled RHIA UAL	\$111,145	\$184,565

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	\$31,681,231	\$31,681,231
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(2,226,124)	(2,226,124)
5. Side account earnings during 2014		2,283,959	2,283,959
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$31,737,066	\$31,737,066

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$13,242,187	\$13,221,692
Side Account 2	18,494,879	18,459,539
Side Account 3	0	0
Total	\$31,737,066	\$31,681,231

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	\$31,737,066	\$31,681,231
2. Combined valuation payroll	13,983,003	13,334,622
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(22.43%)	(22.19%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Stanfield School District/3942
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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.

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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
Stanfield School District/3942

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Stanfield School District/3942

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Stanfield School District -- #3942

November 2015

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Executive Summary

Milliman has prepared this report for Stanfield 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 Stanfield 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 Stanfield School District

	Payroll		
	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	(17.20%)	(17.20%)	(17.20%)
Net pension contribution rate	9.24%	3.62%	8.42%
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	9.74%	4.05%	8.85%

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

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.

Stanfield School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$5,770,177	\$2,865,094
Allocated pooled OPSRP UAL	279,420	161,100
Side account	4,253,009	4,271,050
Net unfunded pension actuarial accrued liability	1,796,588	(1,244,856)
Combined valuation payroll	2,444,155	2,278,446
Net pension UAL as a percentage of payroll	74%	(55%)
Calculated Side Account Rate Relief	(17.20%)	(17.51%)
Allocated Pooled RHIA UAL	\$19,428	\$31,536

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	\$4,271,050	\$4,271,050
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(324,881)	(324,881)
5. Side account earnings during 2014		307,840	307,840
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$4,253,009	\$4,253,009

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$4,253,009	\$4,271,050
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,253,009	\$4,271,050

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	\$4,253,009	\$4,271,050
2. Combined valuation payroll	2,444,155	2,278,446
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(17.20%)	(17.51%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Sutherlin School District #130/3353
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Sutherlin School District #130/3353

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

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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.



November 2015
Sutherlin School District #130/3353

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sutherlin School District #130 -- #3353

November 2015

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Executive Summary

Milliman has prepared this report for Sutherlin School District #130 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 Sutherlin School District #130.

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 Sutherlin School District #130

	Payroll		
	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	(21.36%)	(21.36%)	(21.36%)
Net pension contribution rate	5.08%	0.00%	4.26%
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	5.58%	0.43%	4.69%

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

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.

Sutherlin School District #130

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$14,726,154	\$7,994,354
Allocated pooled OPSRP UAL	713,112	449,511
Side account	13,478,774	13,541,963
Net unfunded pension actuarial accrued liability	1,960,492	(5,098,098)
Combined valuation payroll	6,237,764	6,357,455
Net pension UAL as a percentage of payroll	31%	(80%)
Calculated Side Account Rate Relief	(21.36%)	(19.91%)
Allocated Pooled RHIA UAL	\$49,581	\$87,994

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	\$13,541,963	\$13,541,963
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,034,798)	(1,034,798)
5. Side account earnings during 2014		973,609	973,609
6. Side account as of December 31, 2014 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$13,478,774	\$13,478,774

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$5,950,132	\$5,978,725
Side Account 2	7,528,643	7,563,239
Side Account 3	0	0
Total	\$13,478,774	\$13,541,963

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	\$13,478,774	\$13,541,963
2. Combined valuation payroll	6,237,764	6,357,455
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(21.36%)	(19.91%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Sweet Home School District #55/3618
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Sweet Home School District #55/3618

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Sweet Home School District #55/3618

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sweet Home School District #55 -- #3618

November 2015

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Executive Summary

Milliman has prepared this report for Sweet Home School District #55 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 Sweet Home School District #55.

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 Sweet Home School District #55

	Payroll		
	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	(22.91%)	(22.91%)	(22.91%)
Net pension contribution rate	3.53%	0.00%	2.71%
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	4.03%	0.43%	3.14%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Sweet Home School District #55

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$22,607,558	\$11,778,258
Allocated pooled OPSRP UAL	1,094,768	662,274
Side account	22,201,630	22,168,355
Net unfunded pension actuarial accrued liability	1,500,696	(9,727,823)
Combined valuation payroll	9,576,201	9,366,579
Net pension UAL as a percentage of payroll	16%	(104%)
Calculated Side Account Rate Relief	(22.91%)	(22.11%)
Allocated Pooled RHIA UAL	\$76,117	\$129,643

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	\$22,168,355	\$22,168,355
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,553,821)	(1,553,821)
5. Side account earnings during 2014		1,589,096	1,589,096
6. Side account as of December 31, 2014 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$22,201,630	\$22,201,630

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$10,399,311	\$10,384,689
Side Account 2	11,802,320	11,783,666
Side Account 3	0	0
Total	\$22,201,630	\$22,168,355

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	\$22,201,630	\$22,168,355
2. Combined valuation payroll	9,576,201	9,366,579
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(22.91%)	(22.11%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Three Rivers U J School District/4338
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Three Rivers U J School District/4338

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Three Rivers U J School District/4338

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Three Rivers U J School District -- #4338

November 2015

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Executive Summary

Milliman has prepared this report for Three Rivers U J 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 Three Rivers U J 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 Three Rivers U J School District

	Payroll		
	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	(11.54%)	(11.54%)	(11.54%)
Net pension contribution rate	14.90%	9.28%	14.08%
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	15.40%	9.71%	14.51%

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

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.

Three Rivers U J School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$51,302,337	\$26,062,658
Allocated pooled OPSRP UAL	2,484,309	1,465,465
Side account	25,363,796	25,470,265
Net unfunded pension actuarial accrued liability	28,422,850	2,057,858
Combined valuation payroll	21,730,852	20,726,150
Net pension UAL as a percentage of payroll	131%	10%
Calculated Side Account Rate Relief	(11.54%)	(11.48%)
Allocated Pooled RHIA UAL	\$172,730	\$286,872

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	\$25,470,265	\$25,470,265
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,928,097)	(1,928,097)
5. Side account earnings during 2014		1,822,628	1,822,628
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$25,363,796	\$25,363,796

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$25,363,796	\$25,470,265
Side Account 2	0	0
Side Account 3	0	0
Total	\$25,363,796	\$25,470,265

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	\$25,363,796	\$25,470,265
2. Combined valuation payroll	21,730,852	20,726,150
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(11.54%)	(11.48%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Tigard-Tualatin School District #23J/4316
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Tigard-Tualatin School District #23J/4316

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Tigard-Tualatin School District #23J/4316

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

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

The consultants who worked on this assignment are 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,

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

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

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

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Tigard-Tualatin School District #23J -- #4316

November 2015

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Executive Summary

Milliman has prepared this report for Tigard-Tualatin School District #23J 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 Tigard-Tualatin School District #23J.

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 Tigard-Tualatin School District #23J

	Payroll		
	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	(4.76%)	(4.76%)	(4.76%)
Net pension contribution rate	21.68%	16.06%	20.86%
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	22.18%	16.49%	21.29%

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

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.

Tigard-Tualatin School District #23J

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$135,233,081	\$69,581,404
Allocated pooled OPSRP UAL	6,548,646	3,912,460
Side account	27,591,773	27,886,064
Net unfunded pension actuarial accrued liability	114,189,954	45,607,800
Combined valuation payroll	57,282,577	55,334,134
Net pension UAL as a percentage of payroll	199%	82%
Calculated Side Account Rate Relief	(4.76%)	(4.71%)
Allocated Pooled RHIA UAL	\$455,316	\$765,884

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	\$27,886,064	\$27,886,064
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(2,279,514)	(2,279,514)
5. Side account earnings during 2014		1,986,223	1,986,223
6. Side account as of December 31, 2014 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$27,591,773	\$27,591,773

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$27,591,773	\$27,886,064
Side Account 2	0	0
Side Account 3	0	0
Total	\$27,591,773	\$27,886,064

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	\$27,591,773	\$27,886,064
2. Combined valuation payroll	57,282,577	55,334,134
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(4.76%)	(4.71%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Tillamook Public Schools/3902
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Tillamook Public Schools/3902

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Tillamook Public Schools/3902

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Tillamook Public Schools -- #3902

November 2015

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Executive Summary

Milliman has prepared this report for Tillamook 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 Tillamook 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 Tillamook Public Schools

	Payroll		
	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	(23.19%)	(23.19%)	(23.19%)
Net pension contribution rate	3.25%	0.00%	2.43%
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	3.75%	0.43%	2.86%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Tillamook Public Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$21,422,780	\$11,100,587
Allocated pooled OPSRP UAL	1,037,396	624,170
Side account	21,289,013	21,404,230
Net unfunded pension actuarial accrued liability	1,171,163	(9,679,473)
Combined valuation payroll	9,074,348	8,827,666
Net pension UAL as a percentage of payroll	13%	(110%)
Calculated Side Account Rate Relief	(23.19%)	(22.65%)
Allocated Pooled RHIA UAL	\$72,128	\$122,184

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

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▪ Average Age	51.8	51.4
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▪ Average Valuation Payroll	\$53,626	\$51,171
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▪ Average Monthly Benefit	\$1,032	\$1,007
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▪ Average Age	71.6	71.3
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Executive Summary

Principal Valuation Results (continued)

OPSRP

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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	\$21,404,230	\$21,404,230
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(1,652,340)	(1,652,340)
5. Side account earnings during 2014		1,538,122	1,538,122
6. Side account as of December 31, 2014 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$21,289,013	\$21,289,013

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$21,289,013	\$21,404,230
Side Account 2	0	0
Side Account 3	0	0
Total	\$21,289,013	\$21,404,230

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	\$21,289,013	\$21,404,230
2. Combined valuation payroll	9,074,348	8,827,666
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(23.19%)	(22.65%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Umatilla School District #6R/3928
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Umatilla School District #6R/3928

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Umatilla School District #6R/3928

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

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

The consultants who worked on this assignment are 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,

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

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

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

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Umatilla School District #6R -- #3928

November 2015

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Executive Summary

Milliman has prepared this report for Umatilla School District #6R 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 Umatilla School District #6R.

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 Umatilla School District #6R

	Payroll		
	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	(6.85%)	(6.85%)	(6.85%)
Net pension contribution rate	19.59%	13.97%	18.77%
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	20.09%	14.40%	19.20%

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

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.

Umatilla School District #6R

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$15,239,006	\$7,862,247
Allocated pooled OPSRP UAL	737,947	442,083
Side account	4,473,247	4,509,146
Net unfunded pension actuarial accrued liability	11,503,706	3,795,184
Combined valuation payroll	6,455,000	6,252,398
Net pension UAL as a percentage of payroll	178%	61%
Calculated Side Account Rate Relief	(6.85%)	(6.74%)
Allocated Pooled RHIA UAL	\$51,308	\$86,540

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	\$4,509,146	\$4,509,146
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(359,281)	(359,281)
5. Side account earnings during 2014		324,382	324,382
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$4,473,247	\$4,473,247

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$4,473,247	\$4,509,146
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,473,247	\$4,509,146

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	\$4,473,247	\$4,509,146
2. Combined valuation payroll	6,455,000	6,252,398
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(6.85%)	(6.74%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Union County School District/3966
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Union County School District/3966

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Union County School District/3966

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Union County School District -- #3966

November 2015

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Executive Summary

Milliman has prepared this report for Union 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 Union 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 Union County School District

	Payroll		
	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	(14.48%)	(14.48%)	(14.48%)
Net pension contribution rate	11.96%	6.34%	11.14%
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	12.46%	6.77%	11.57%

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

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.

Union County School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$3,610,792	\$1,768,393
Allocated pooled OPSRP UAL	174,852	99,434
Side account	2,241,041	2,214,552
Net unfunded pension actuarial accrued liability	1,544,603	(346,725)
Combined valuation payroll	1,529,474	1,406,302
Net pension UAL as a percentage of payroll	101%	(25%)
Calculated Side Account Rate Relief	(14.48%)	(14.71%)
Allocated Pooled RHIA UAL	\$12,157	\$19,465

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	\$2,214,552	\$2,214,552
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(133,340)	(133,340)
5. Side account earnings during 2014		160,829	160,829
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$2,241,041	\$2,241,041

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$2,241,041	\$2,214,552
Side Account 2	0	0
Side Account 3	0	0
Total	\$2,241,041	\$2,214,552

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	\$2,241,041	\$2,214,552
2. Combined valuation payroll	1,529,474	1,406,302
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(14.48%)	(14.71%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Warrenton-Hammond School District/3195
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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

Warrenton-Hammond School District/3195

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Warrenton-Hammond School District/3195

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Warrenton-Hammond School District -- #3195

November 2015

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Executive Summary

Milliman has prepared this report for Warrenton-Hammond 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 Warrenton-Hammond 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 Warrenton-Hammond School District

	Payroll		
	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	(9.23%)	(9.23%)	(9.23%)
Net pension contribution rate	17.21%	11.59%	16.39%
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	17.71%	12.02%	16.82%

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

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

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.

Warrenton-Hammond School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$9,957,181	\$5,430,183
Allocated pooled OPSRP UAL	482,175	305,331
Side account	3,940,484	4,062,058
Net unfunded pension actuarial accrued liability	6,498,872	1,673,456
Combined valuation payroll	4,217,703	4,318,316
Net pension UAL as a percentage of payroll	154%	39%
Calculated Side Account Rate Relief	(9.23%)	(8.79%)
Allocated Pooled RHIA UAL	\$33,525	\$59,770

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	\$4,062,058	\$4,062,058
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(408,374)	(408,374)
5. Side account earnings during 2014		287,800	287,800
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$3,940,484	\$3,940,484

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$3,940,484	\$4,062,058
Side Account 2	0	0
Side Account 3	0	0
Total	\$3,940,484	\$4,062,058

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	\$3,940,484	\$4,062,058
2. Combined valuation payroll	4,217,703	4,318,316
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.23%)	(8.79%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

West Linn School District/3075
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
West Linn School District/3075

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
West Linn School District/3075

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

West Linn School District -- #3075

November 2015

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Executive Summary

Milliman has prepared this report for West Linn 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 West Linn 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 West Linn School District

	Payroll		
	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	(9.02%)	(9.02%)	(9.02%)
Net pension contribution rate	17.42%	11.80%	16.60%
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	17.92%	12.23%	17.03%

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

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.

West Linn School District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$98,886,536	\$47,322,483
Allocated pooled OPSRP UAL	4,788,569	2,660,874
Side account	38,218,923	38,699,808
Net unfunded pension actuarial accrued liability	65,456,182	11,283,549
Combined valuation payroll	41,886,760	37,632,880
Net pension UAL as a percentage of payroll	156%	30%
Calculated Side Account Rate Relief	(9.02%)	(9.61%)
Allocated Pooled RHIA UAL	\$332,941	\$520,879

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	\$38,699,808	\$38,699,808
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(3,252,420)	(3,252,420)
5. Side account earnings during 2014		2,772,535	2,772,535
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$38,218,923	\$38,218,923

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$38,218,923	\$38,699,808
Side Account 2	0	0
Side Account 3	0	0
Total	\$38,218,923	\$38,699,808

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	\$38,218,923	\$38,699,808
2. Combined valuation payroll	41,886,760	37,632,880
3. Amortization factor	10.118	10.703
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.02%)	(9.61%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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.

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

November 2015

Willamette Education Service District/4254
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Willamette Education Service District/4254

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Willamette Education Service District/4254

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Willamette Education Service District -- #4254

November 2015

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Executive Summary

Milliman has prepared this report for Willamette 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 Willamette 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 Willamette Education Service District

	Payroll		
	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	(19.90%)	(19.90%)	(19.90%)
Net pension contribution rate	6.54%	0.92%	5.72%
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	7.04%	1.35%	6.15%

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

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.

Willamette Education Service District

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$32,431,813	\$16,982,752
Allocated pooled OPSRP UAL	1,570,507	954,915
Side account	27,665,313	27,299,059
Net unfunded pension actuarial accrued liability	6,337,007	(9,361,392)
Combined valuation payroll	13,737,599	13,505,417
Net pension UAL as a percentage of payroll	46%	(69%)
Calculated Side Account Rate Relief	(19.90%)	(18.89%)
Allocated Pooled RHIA UAL	\$109,195	\$186,929

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	\$27,299,059	\$27,299,059
2. Deposits during 2014		N/A	
3. Administrative expenses		(3,000)	(3,000)
4. Amount transferred to employer reserves during 2014		(1,607,375)	(1,607,375)
5. Side account earnings during 2014		1,976,628	1,976,628
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$27,665,313	\$27,665,313

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$19,524,472	\$19,264,543
Side Account 2	4,648,307	4,528,201
Side Account 3	3,492,534	3,506,316
Total	\$27,665,313	\$27,299,059

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	\$27,665,313	\$27,299,059
2. Combined valuation payroll	13,737,599	13,505,417
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(19.90%)	(18.89%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Willamina School District #30J/4314
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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:

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- 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
Willamina School District #30J/4314

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Willamina School District #30J/4314

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Willamina School District #30J -- #4314

November 2015

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Executive Summary

Milliman has prepared this report for Willamina School District #30J 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 Willamina School District #30J.

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 Willamina School District #30J

	Payroll		
	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	(5.15%)	(5.15%)	(5.15%)
Net pension contribution rate	21.29%	15.67%	20.47%
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	21.79%	16.10%	20.90%

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

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.

Willamina School District #30J

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$8,669,592	\$4,443,816
Allocated pooled OPSRP UAL	419,824	249,869
Side account	1,911,877	1,916,003
Net unfunded pension actuarial accrued liability	7,177,539	2,777,682
Combined valuation payroll	3,672,301	3,533,914
Net pension UAL as a percentage of payroll	195%	79%
Calculated Side Account Rate Relief	(5.15%)	(5.07%)
Allocated Pooled RHIA UAL	\$29,190	\$48,913

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	\$1,916,003	\$1,916,003
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(140,894)	(140,894)
5. Side account earnings during 2014		137,768	137,768
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$1,911,877	\$1,911,877

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$1,911,877	\$1,916,003
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,911,877	\$1,916,003

Development of Side Account Rate

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

	December 31, 2014	December 31, 2013
1. Total side account	\$1,911,877	\$1,916,003
2. Combined valuation payroll	3,672,301	3,533,914
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(5.15%)	(5.07%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Winston-Dillard Schools/3349
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Winston-Dillard Schools/3349

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

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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
Winston-Dillard Schools/3349

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

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

The consultants who worked on this assignment are 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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Winston-Dillard Schools -- #3349

November 2015

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Executive Summary

Milliman has prepared this report for Winston-Dillard 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 Winston-Dillard 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 Winston-Dillard Schools

	Payroll		
	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	(32.46%)	(32.46%)	(32.46%)
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		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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.

Winston-Dillard Schools

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$12,464,952	\$6,556,981
Allocated pooled OPSRP UAL	603,614	368,689
Side account	17,342,743	17,233,896
Net unfunded pension actuarial accrued liability	(4,274,177)	(10,308,226)
Combined valuation payroll	5,279,955	5,214,394
Net pension UAL as a percentage of payroll	(81%)	(198%)
Calculated Side Account Rate Relief	(32.46%)	(30.88%)
Allocated Pooled RHIA UAL	\$41,968	\$72,173

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	\$17,233,896	\$17,233,896
2. Deposits during 2014		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2014		(1,132,485)	(1,132,485)
5. Side account earnings during 2014		1,243,331	1,243,331
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$17,342,743	\$17,342,743

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$7,751,330	\$7,707,043
Side Account 2	9,591,412	9,526,854
Side Account 3	0	0
Total	\$17,342,743	\$17,233,896

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	\$17,342,743	\$17,233,896
2. Combined valuation payroll	5,279,955	5,214,394
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(32.46%)	(30.88%)

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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

November 2015

Yamhill-Carlton School District #1/4166
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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
Yamhill-Carlton School District #1/4166

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

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 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
Yamhill-Carlton School District #1/4166

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,

A handwritten signature in black ink, appearing to read 'Matt Larrabee'.

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

A handwritten signature in black ink, appearing to read 'Scott Preppernau'.

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



ACTUARIAL VALUATION REPORT DECEMBER 31, 2014

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Yamhill-Carlton School District #1 -- #4166

November 2015

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Executive Summary

Milliman has prepared this report for Yamhill-Carlton 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 Yamhill-Carlton 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 Yamhill-Carlton School District #1

	Payroll		
	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	(24.69%)	(24.69%)	(24.69%)
Net pension contribution rate	1.75%	0.00%	0.93%
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	2.25%	0.43%	1.36%

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

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.

Yamhill-Carlton School District #1

	Actuarial Valuation as of	
	December 31, 2014	December 31, 2013
Allocated pooled T1/T2 UAL	\$11,990,829	\$6,028,292
Allocated pooled OPSRP UAL	580,654	338,962
Side account	12,688,789	12,632,749
Net unfunded pension actuarial accrued liability	(117,306)	(6,265,495)
Combined valuation payroll	5,079,124	4,793,958
Net pension UAL as a percentage of payroll	(2%)	(131%)
Calculated Side Account Rate Relief	(24.69%)	(24.62%)
Allocated Pooled RHIA UAL	\$40,372	\$66,354

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	\$12,632,749	\$12,632,749
2. Deposits during 2014		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2014		(852,959)	(852,959)
5. Side account earnings during 2014		909,999	909,999
6. Side account as of December 31, 2014 (1. + 2. + 3. + 4. + 5.)		\$12,688,789	\$12,688,789

Side Account Information

Side Account Balances

	December 31, 2014	December 31, 2013
Side Account 1	\$12,688,789	\$12,632,749
Side Account 2	0	0
Side Account 3	0	0
Total	\$12,688,789	\$12,632,749

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	\$12,688,789	\$12,632,749
2. Combined valuation payroll	5,079,124	4,793,958
3. Amortization factor	10.118	10.703
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(24.69%)	(24.62%)

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:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL 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.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate 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.</p>

Economic Assumptions

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

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

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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