Milliman
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September 2014

Depoe Bay Rural Fire Protection District/2576
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Depoe Bay Rural Fire Protection District/2576

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Depoe Bay Rural Fire Protection District -- #2576

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Depoe Bay Rural Fire Protection District to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Depoe Bay Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Depoe Bay Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(1.33%)	(1.33%)	(1.33%)	(1.33%)	(1.33%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.36%**	**17.36%**	**18.48%**	**9.30%**	**13.41%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**17.89%**	**17.89%**	**19.01%**	**9.75%**	**13.86%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Depoe Bay Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$253,240	$324,005
Allocated pre-SLGRP pooled liability/(surplus)	(64,527)	(62,704)
Transition liability/(surplus)	(47,534)	(52,086)
Allocated pooled OPSRP UAL	23,616	22,304
Side account	0	0
Net unfunded pension actuarial accrued liability	164,795	231,519
Combined valuation payroll	333,998	316,452
Net pension UAL as a percentage of payroll	49%	73%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.33%)	(1.46%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$4,623	$6,639
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$43,952	$6,764	15.80%	$1,529	$242
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**43,952**	**6,764**		**1,529**	**242**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$43,952**	**$6,764**		**$1,529**	**$242**
Employer normal cost rate						
General Service			**15.39%**			**15.83%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**15.39%**			**15.83%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($52,086)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.95%)
B. Actual employer payroll	217,822
C. Payment to transition liability/(surplus)	(4,248)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.63%)
B. Actual employer payroll	228,393
C. Payment to transition liability/(surplus)	(3,723)
4. Supplemental payment to transition liability	0
5. Interest	(3,419)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($47,534)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(47,534)	(52,086)
2. Combined valuation payroll	333,998	316,452
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(1.33%)**	**(1.46%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	333,998	316,452
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Deschutes County Rural Fire Protection District #2/2822
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

September 2014
Deschutes County Rural Fire Protection District #2/2822

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Deschutes County Rural Fire Protection District #2 -- #2822

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Deschutes County Rural Fire Protection District #2 to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Deschutes County Rural Fire Protection District #2.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Deschutes County Rural Fire Protection District #2

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(0.42%)	(0.42%)	(0.42%)	(0.42%)	(0.42%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**13.45%**	**13.45%**	**19.39%**	**10.21%**	**14.32%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.98%**	**13.98%**	**19.92%**	**10.66%**	**14.77%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Deschutes County Rural Fire Protection District #2

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$83,510	$111,515
Allocated pre-SLGRP pooled liability/(surplus)	(21,279)	(21,581)
Transition liability/(surplus)	(5,009)	(5,066)
Allocated pooled OPSRP UAL	7,788	7,677
Side account	0	0
Net unfunded pension actuarial accrued liability	65,010	92,545
Combined valuation payroll	110,141	108,915
Net pension UAL as a percentage of payroll	59%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.42%)	(0.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,524	$2,285
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	110,141	11,642	10.58%	108,915	11,523
Total General Service		**110,141**	**11,642**		**108,915**	**11,523**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$110,141**	**$11,642**		**$108,915**	**$11,523**
Employer normal cost rate						
General Service			**10.57%**			**10.58%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**10.57%**			**10.58%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($5,066)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.38%)
B. Actual employer payroll	52,717
C. Payment to transition liability/(surplus)	(200)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.41%)
B. Actual employer payroll	52,853
C. Payment to transition liability/(surplus)	(217)
4. Supplemental payment to transition liability	0
5. Interest	(360)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($5,009)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	**December 31, 2012**
1. Total transition liability/(surplus)	(5,009)	(5,066)
2. Combined valuation payroll	110,141	108,915
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(0.42%)**	**(0.41%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	110,141	108,915
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Deschutes County/2027
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

September 2014
Deschutes County/2027

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Deschutes County -- #2027

September 2014

Secondary Employers

2770 Deschutes County Fair Association

CONTENTS

Executive Summary

Milliman has prepared this report for Deschutes County to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Deschutes County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Deschutes County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.84%	12.63%	16.50%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.16%)	(5.16%)	(5.16%)	(5.16%)	(5.16%)
Side account rate relief [2]	(1.06%)	(1.06%)	(1.06%)	(1.06%)	(1.06%)
Net pension contribution rate	**12.73%**	**11.52%**	**15.39%**	**6.22%**	**10.33%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.26%**	**12.05%**	**15.92%**	**6.67%**	**10.78%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Deschutes County

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$41,876,278	$55,941,801
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(30,478,439)	(31,165,176)
Allocated pooled OPSRP UAL	3,905,142	3,851,012
Side account	6,280,284	5,909,683
Net unfunded pension actuarial accrued liability	9,022,697	22,717,954
Combined valuation payroll	55,230,630	54,637,656
Net pension UAL as a percentage of payroll	16%	42%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.16%)	(5.06%)
Side account rate relief	(1.06%)	(0.96%)
Allocated pooled RHIA UAL	$764,451	$1,146,321
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	$8,904,695	$1,370,433	15.80%	$10,371,434	$1,638,687
Tier 2 General Service	10.57%	11,907,161	1,258,587	10.58%	12,069,550	1,276,958
Total General Service		**20,811,856**	**2,629,020**		**22,440,984**	**2,915,645**
Tier 1 Police & Fire	17.62%	4,121,628	726,231	17.89%	4,682,797	837,752
Tier 2 Police & Fire	15.63%	5,354,838	836,961	15.70%	4,870,008	764,591
Total Police & Fire		**9,476,466**	**1,563,192**		**9,552,805**	**1,602,343**
Total		**$30,288,322**	**$4,192,212**		**$31,993,789**	**$4,517,988**
Employer normal cost rate						
General Service			**12.63%**			**12.99%**
Police & Fire			**16.50%**			**16.77%**
Aggregate (Default)			**13.84%**			**14.12%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($31,165,176)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.35%)
B. Actual employer payroll	26,982,196
C. Payment to transition liability/(surplus)	(1,443,547)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.24%)
B. Actual employer payroll	27,392,643
C. Payment to transition liability/(surplus)	(1,435,375)
4. Supplemental payment to transition liability	0
5. Interest	(2,192,185)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($30,478,439)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(30,478,439)	(31,165,176)
2. Combined valuation payroll	55,230,630	54,637,656
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(5.16%)**	**(5.06%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$5,909,683**	**$5,909,683**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(529,502)	(529,502)
5. Side account earnings during 2013		901,103	901,103
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$6,280,284**	**$6,280,284**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$6,280,284	$5,909,683
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,280,284**	**$5,909,683**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$6,280,284	$5,909,683
2. Combined valuation payroll	55,230,630	54,637,656
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(1.06%)	(0.96%)

[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, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Dexter Rural Fire Protection District/2642
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

September 2014
Dexter Rural Fire Protection District/2642

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Dexter Rural Fire Protection District -- #2642

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Dexter Rural Fire Protection District to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Dexter Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Dexter Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	17.62%	13.02%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(3.02%)	(3.02%)	(3.02%)	(3.02%)	(3.02%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.90%**	**13.30%**	**17.90%**	**7.61%**	**11.72%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**18.43%**	**13.83%**	**18.43%**	**8.06%**	**12.17%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Dexter Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$46,677	$64,648
Allocated pre-SLGRP pooled liability/(surplus)	(11,893)	(12,511)
Transition liability/(surplus)	(19,894)	(20,307)
Allocated pooled OPSRP UAL	4,353	4,450
Side account	0	0
Net unfunded pension actuarial accrued liability	19,243	36,280
Combined valuation payroll	61,562	63,141
Net pension UAL as a percentage of payroll	31%	57%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(3.02%)	(2.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$852	$1,325
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

1 *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	17.62%	61,562	10,847	17.89%	63,141	11,296
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**61,562**	**10,847**		**63,141**	**11,296**
Total		**$61,562**	**$10,847**		**$63,141**	**$11,296**
Employer normal cost rate						
General Service			**13.02%**			**13.34%**
Police & Fire			**17.62%**			**17.89%**
Aggregate (Default)			**17.62%**			**17.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($20,307)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.99%)
B. Actual employer payroll	27,910
C. Payment to transition liability/(surplus)	(835)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.23%)
B. Actual employer payroll	31,250
C. Payment to transition liability/(surplus)	(1,009)
4. Supplemental payment to transition liability	0
5. Interest	(1,431)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($19,894)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(19,894)	(20,307)
2. Combined valuation payroll	61,562	63,141
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(3.02%)**	**(2.85%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	61,562	63,141
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

East Umatilla County Rural Fire Protection District/2851
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

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September 2014
East Umatilla County Rural Fire Protection District/2851

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott Preppernau

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

East Umatilla County Rural Fire Protection District -- #2851

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for East Umatilla County Rural Fire Protection District to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to East Umatilla County Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for East Umatilla County Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(3.86%)	(3.86%)	(3.86%)	(3.86%)	(3.86%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.07%**	**12.46%**	**15.07%**	**6.77%**	**10.88%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**15.60%**	**12.99%**	**15.60%**	**7.22%**	**11.33%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

East Umatilla County Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$49,010	$49,232
Allocated pre-SLGRP pooled liability/(surplus)	(12,488)	(9,528)
Transition liability/(surplus)	(26,738)	(27,823)
Allocated pooled OPSRP UAL	4,570	3,389
Side account	0	0
Net unfunded pension actuarial accrued liability	14,354	15,270
Combined valuation payroll	64,639	48,084
Net pension UAL as a percentage of payroll	22%	32%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(3.86%)	(5.13%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$895	$1,009
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	64,639	10,103	15.70%	48,084	7,549
Total Police & Fire		**64,639**	**10,103**		**48,084**	**7,549**
Total		**$64,639**	**$10,103**		**$48,084**	**$7,549**
Employer normal cost rate						
General Service			**13.02%**			**13.34%**
Police & Fire			**15.63%**			**15.70%**
Aggregate (Default)			**15.63%**			**15.70%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($27,823)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.25%)
B. Actual employer payroll	25,894
C. Payment to transition liability/(surplus)	(1,359)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.59%)
B. Actual employer payroll	35,910
C. Payment to transition liability/(surplus)	(1,649)
4. Supplemental payment to transition liability	0
5. Interest	(1,923)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($26,738)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(26,738)	(27,823)
2. Combined valuation payroll	64,639	48,084
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(3.86%)**	**(5.13%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	64,639	48,084
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Eisenschmidt Pool/2784
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Eisenschmidt Pool/2784

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Eisenschmidt Pool -- #2784

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Eisenschmidt Pool to:

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

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

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Eisenschmidt Pool

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.53%)	(3.53%)	(3.53%)	(3.53%)	(3.53%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**12.15%**	**12.15%**	**18.09%**	**8.91%**	**13.02%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**12.68%**	**12.68%**	**18.62%**	**9.36%**	**13.47%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Eisenschmidt Pool

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$157,980	$179,761
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(78,762)	(81,975)
Allocated pooled OPSRP UAL	14,732	12,375
Side account	0	0
Net unfunded pension actuarial accrued liability	93,950	110,161
Combined valuation payroll	208,360	175,570
Net pension UAL as a percentage of payroll	45%	63%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.53%)	(4.14%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,884	$3,684
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	113,846	12,034	10.58%	111,517	11,798
Total General Service		**113,846**	**12,034**		**111,517**	**11,798**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$113,846**	**$12,034**		**$111,517**	**$11,798**
Employer normal cost rate						
General Service			**10.57%**			**10.58%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**10.57%**			**10.58%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($81,975)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.00%)
B. Actual employer payroll	82,125
C. Payment to transition liability/(surplus)	(4,106)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.42%)
B. Actual employer payroll	107,958
C. Payment to transition liability/(surplus)	(4,772)
4. Supplemental payment to transition liability	0
5. Interest	(5,665)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($78,762)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(78,762)	(81,975)
2. Combined valuation payroll	208,360	175,570
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(3.53%)**	**(4.14%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	208,360	175,570
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Estacada Fire Department/2557
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

September 2014
Estacada Fire Department/2557

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Estacada Fire Department -- #2557

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Estacada Fire Department to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Estacada Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Estacada Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	17.10%	13.02%	17.10%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(15.50%)	(15.50%)	(15.50%)	(15.50%)	(15.50%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**4.90%**	**0.82%**	**4.90%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**5.43%**	**1.35%**	**5.43%**	**0.45%**	**0.45%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Estacada Fire Department

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$692,077	$785,949
Allocated pre-SLGRP pooled liability/(surplus)	(176,344)	(152,102)
Transition liability/(surplus)	(1,514,292)	(1,543,348)
Allocated pooled OPSRP UAL	64,539	54,104
Side account	0	0
Net unfunded pension actuarial accrued liability	(934,020)	(855,397)
Combined valuation payroll	912,780	767,627
Net pension UAL as a percentage of payroll	(102%)	(111%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(15.50%)	(17.84%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$12,634	$16,105
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			**December 31, 2012**		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	17.62%	300,415	52,933	17.89%	345,048	61,729
Tier 2 Police & Fire	15.63%	107,249	16,763	15.70%	83,572	13,121
Total Police & Fire		**407,664**	**69,696**		**428,620**	**74,850**
Total		**$407,664**	**$69,696**		**$428,620**	**$74,850**
Employer normal cost rate						
General Service			**13.02%**			**13.34%**
Police & Fire			**17.10%**			**17.46%**
Aggregate (Default)			**17.10%**			**17.46%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($1,543,348)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(18.31%)
B. Actual employer payroll	389,326
C. Payment to transition liability/(surplus)	(62,255)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(18.20%)
B. Actual employer payroll	472,160
C. Payment to transition liability/(surplus)	(75,718)
4. Supplemental payment to transition liability	0
5. Interest	(108,917)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($1,514,292)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,514,292)	(1,543,348)
2. Combined valuation payroll	912,780	767,627
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(15.50%)**	**(17.84%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	912,780	767,627
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Fairview Water District/2798
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Fairview Water District/2798

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Fairview Water District -- #2798

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Fairview Water District to:

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

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

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Fairview Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(0.88%)	(0.88%)	(0.88%)	(0.88%)	(0.88%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**17.81%**	**17.81%**	**18.93%**	**9.75%**	**13.86%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**18.34%**	**18.34%**	**19.46%**	**10.20%**	**14.31%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Fairview Water District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$109,681	$92,463
Allocated pre-SLGRP pooled liability/(surplus)	(27,947)	(17,894)
Transition liability/(surplus)	(13,643)	(13,649)
Allocated pooled OPSRP UAL	10,228	6,365
Side account	0	0
Net unfunded pension actuarial accrued liability	78,319	67,285
Combined valuation payroll	144,658	90,307
Net pension UAL as a percentage of payroll	54%	75%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.88%)	(1.34%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$2,002	$1,895
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$58,425	$8,992	15.80%	$56,486	$8,925
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**58,425**	**8,992**		**56,486**	**8,925**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$58,425**	**$8,992**		**$56,486**	**$8,925**
Employer normal cost rate						
General Service			**15.39%**			**15.80%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**15.39%**			**15.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($13,649)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.18%)
B. Actual employer payroll	44,014
C. Payment to transition liability/(surplus)	(519)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.36%)
B. Actual employer payroll	34,401
C. Payment to transition liability/(surplus)	(468)
4. Supplemental payment to transition liability	0
5. Interest	(981)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($13,643)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	**December 31, 2012**
1. Total transition liability/(surplus)	(13,643)	(13,649)
2. Combined valuation payroll	144,658	90,307
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(0.88%)**	**(1.34%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	144,658	90,307
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Farmers Irrigation District/2789
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Farmers Irrigation District/2789

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Farmers Irrigation District -- #2789

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Farmers Irrigation District to:

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

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

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Farmers Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	14.59%	14.59%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(9.90%)	(9.90%)	(9.90%)	(9.90%)	(9.90%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**9.80%**	**9.80%**	**11.72%**	**2.54%**	**6.65%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**10.33%**	**10.33%**	**12.25%**	**2.99%**	**7.10%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Farmers Irrigation District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$446,840	$693,760
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(624,163)	(623,178)
Allocated pooled OPSRP UAL	41,670	47,758
Side account	0	0
Net unfunded pension actuarial accrued liability	(135,653)	118,340
Combined valuation payroll	589,338	677,587
Net pension UAL as a percentage of payroll	(23%)	17%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.90%)	(8.16%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$8,157	$14,216
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

1 *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$262,929	$40,465	15.80%	$289,328	$45,714
Tier 2 General Service	10.57%	52,222	5,520	10.58%	59,335	6,278
Total General Service		**315,151**	**45,985**		**348,663**	**51,992**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$315,151**	**$45,985**		**$348,663**	**$51,992**
Employer normal cost rate						
General Service			**14.59%**			**14.91%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**14.59%**			**14.91%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($623,178)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.10%)
B. Actual employer payroll	267,873
C. Payment to transition liability/(surplus)	(19,019)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.64%)
B. Actual employer payroll	288,066
C. Payment to transition liability/(surplus)	(24,889)
4. Supplemental payment to transition liability	0
5. Interest	(44,893)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($624,163)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(624,163)	(623,178)
2. Combined valuation payroll	589,338	677,587
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(9.90%)**	**(8.16%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	589,338	677,587
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Gilliam County/2022
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Gilliam County/2022

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Gilliam County -- #2022

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Gilliam County to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Gilliam County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Gilliam County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.33%	12.71%	16.05%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(0.78%)	(0.78%)	(0.78%)	(0.78%)	(0.78%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.85%**	**15.23%**	**18.57%**	**9.85%**	**13.96%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**16.38%**	**15.76%**	**19.10%**	**10.30%**	**14.41%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Gilliam County

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$1,504,652	$1,921,308
Allocated pre-SLGRP pooled liability/(surplus)	(383,392)	(371,825)
Transition liability/(surplus)	(166,496)	(169,900)
Allocated pooled OPSRP UAL	140,315	132,262
Side account	0	0
Net unfunded pension actuarial accrued liability	1,095,079	1,511,845
Combined valuation payroll	1,984,486	1,876,517
Net pension UAL as a percentage of payroll	55%	81%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.78%)	(0.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$27,467	$39,370
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$493,253	$75,912	15.80%	$522,365	$82,534
Tier 2 General Service	10.57%	618,376	65,362	10.58%	593,545	62,797
Total General Service		**1,111,629**	**141,274**		**1,115,910**	**145,331**
Tier 1 Police & Fire	17.62%	53,142	9,364	17.89%	50,767	9,082
Tier 2 Police & Fire	15.63%	199,645	31,205	15.70%	123,409	19,375
Total Police & Fire		**252,787**	**40,569**		**174,176**	**28,457**
Total		**$1,364,416**	**$181,843**		**$1,290,086**	**$173,788**
Employer normal cost rate						
General Service			**12.71%**			**13.02%**
Police & Fire			**16.05%**			**16.34%**
Aggregate (Default)			**13.33%**			**13.47%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($169,900)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.81%)
B. Actual employer payroll	933,576
C. Payment to transition liability/(surplus)	(7,562)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.81%)
B. Actual employer payroll	965,015
C. Payment to transition liability/(surplus)	(7,817)
4. Supplemental payment to transition liability	0
5. Interest	(11,975)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($166,496)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(166,496)	(169,900)
2. Combined valuation payroll	1,984,486	1,876,517
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(0.78%)**	**(0.80%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	1,984,486	1,876,517
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Glide Fire Department/2824
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Glide Fire Department/2824

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Glide Fire Department -- #2824

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Glide Fire Department to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Glide Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Glide Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(5.20%)	(5.20%)	(5.20%)	(5.20%)	(5.20%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**15.30%**	**15.30%**	**16.42%**	**7.24%**	**11.35%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**15.83%**	**15.83%**	**16.95%**	**7.69%**	**11.80%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Glide Fire Department

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$39,217	$52,901
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(28,806)	(29,744)
Allocated pooled OPSRP UAL	3,657	3,642
Side account	0	0
Net unfunded pension actuarial accrued liability	14,068	26,799
Combined valuation payroll	51,723	51,668
Net pension UAL as a percentage of payroll	27%	52%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.20%)	(5.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$716	$1,084
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$15,923	$2,451	15.80%	$16,804	$2,655
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**15,923**	**2,451**		**16,804**	**2,655**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$15,923**	**$2,451**		**$16,804**	**$2,655**
Employer normal cost rate						
General Service			**15.39%**			**15.80%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**15.39%**			**15.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($29,744)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.77%)
B. Actual employer payroll	23,938
C. Payment to transition liability/(surplus)	(1,381)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.54%)
B. Actual employer payroll	24,902
C. Payment to transition liability/(surplus)	(1,629)
4. Supplemental payment to transition liability	0
5. Interest	(2,072)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($28,806)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(28,806)	(29,744)
2. Combined valuation payroll	51,723	51,668
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(5.20%)**	**(5.11%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	51,723	51,668
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Goshen Fire District/2573
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Goshen Fire District/2573

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Goshen Fire District -- #2573

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Goshen Fire District to:

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

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

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Goshen Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	16.54%	16.54%	16.54%	16.54%	16.54%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**35.31%**	**34.67%**	**38.16%**	**28.98%**	**33.09%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**35.84%**	**35.20%**	**38.69%**	**29.43%**	**33.54%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Goshen Fire District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$79,909	$160,083
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	186,532	182,335
Allocated pooled OPSRP UAL	7,452	11,020
Side account	0	0
Net unfunded pension actuarial accrued liability	273,893	353,438
Combined valuation payroll	105,392	156,351
Net pension UAL as a percentage of payroll	260%	226%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	16.54%	10.35%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$1,459	$3,280
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions) RHIPA	Actuarial Valuation as of December 31, 2013	December 31, 2012
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$0	$0	15.80%	$0	$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**0**	**0**		**0**	**0**
Tier 1 Police & Fire	17.62%	0	0	17.89%	85,809	15,351
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**85,809**	**15,351**
Total		**$0**	**$0**		**$85,809**	**$15,351**
Employer normal cost rate						
General Service			**13.02%**			**13.34%**
Police & Fire			**16.51%**			**17.89%**
Aggregate (Default)			**13.66%**			**17.89%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	$182,335
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	9.07%
B. Actual employer payroll	51,592
C. Payment to transition liability/(surplus)	4,679
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	9.48%
B. Actual employer payroll	47,882
C. Payment to transition liability/(surplus)	4,540
4. Supplemental payment to transition liability	0
5. Interest	13,416
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$186,532**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	**December 31, 2012**
1. Total transition liability/(surplus)	186,532	182,335
2. Combined valuation payroll	105,392	156,351
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**16.54%**	**10.35%**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	105,392	156,351
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Grant County/2012
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Grant County/2012

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Grant County -- #2012

September 2014

Secondary Employers

2735 Grant County Extension and 4-H Service District

CONTENTS

Executive Summary

Milliman has prepared this report for Grant County to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Grant County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Grant County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.92%	13.20%	16.02%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(16.54%)	(16.54%)	(16.54%)	(16.54%)	(16.54%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**0.68%**	**0.00%**	**2.78%**	**0.00%**	**0.00%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**1.21%**	**0.53%**	**3.31%**	**0.45%**	**0.45%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Grant County

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$2,299,023	$3,200,498
Allocated pre-SLGRP pooled liability/(surplus)	(585,801)	(619,383)
Transition liability/(surplus)	(5,367,800)	(5,359,235)
Allocated pooled OPSRP UAL	214,394	220,321
Side account	0	0
Net unfunded pension actuarial accrued liability	(3,440,184)	(2,557,799)
Combined valuation payroll	3,032,182	3,125,886
Net pension UAL as a percentage of payroll	(113%)	(82%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(16.54%)	(15.21%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$41,969	$65,582
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$578,235	$88,990	15.80%	$590,396	$93,283
Tier 2 General Service	10.57%	480,489	50,788	10.58%	486,292	51,450
Total General Service		**1,058,724**	**139,778**		**1,076,688**	**144,733**
Tier 1 Police & Fire	17.62%	71,042	12,518	17.89%	125,311	22,418
Tier 2 Police & Fire	15.63%	292,425	45,706	15.70%	297,334	46,681
Total Police & Fire		**363,467**	**58,224**		**422,645**	**69,099**
Total		**$1,422,191**	**$198,002**		**$1,499,333**	**$213,832**
Employer normal cost rate						
General Service			**13.20%**			**13.44%**
Police & Fire			**16.02%**			**16.35%**
Aggregate (Default)			**13.92%**			**14.26%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($5,359,235)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(13.38%)
B. Actual employer payroll	1,514,163
C. Payment to transition liability/(surplus)	(186,347)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(13.72%)
B. Actual employer payroll	1,523,315
C. Payment to transition liability/(surplus)	(191,171)
4. Supplemental payment to transition liability	0
5. Interest	(386,083)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($5,367,800)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(5,367,800)	(5,359,235)
2. Combined valuation payroll	3,032,182	3,125,886
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(16.54%)**	**(15.21%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	3,032,182	3,125,886
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Grants Pass Irrigation District/2511
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

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

Milliman

September 2014
Grants Pass Irrigation District/2511

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

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Grants Pass Irrigation District -- #2511

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Grants Pass Irrigation District to:

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

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Grants Pass Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

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

Employer Rates Effective July 1, 2015 for Grants Pass Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	1.02%	1.02%	1.02%	1.02%	1.02%
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**19.71%**	**19.71%**	**20.83%**	**11.65%**	**15.76%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**20.24%**	**20.24%**	**21.36%**	**12.10%**	**16.21%**

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

1 *Includes Multnomah Fire District #10 rate.*

2 *The transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

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

Grants Pass Irrigation District

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$332,973	$445,070
Allocated pre-SLGRP pooled liability/(surplus)	(84,843)	(86,133)
Transition liability/(surplus)	48,111	48,505
Allocated pooled OPSRP UAL	31,051	30,638
Side account	0	0
Net unfunded pension actuarial accrued liability	327,292	438,080
Combined valuation payroll	439,158	434,694
Net pension UAL as a percentage of payroll	75%	101%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	1.02%	0.99%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$6,078	$9,120
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	$201,626	$31,030	15.80%	$302,797	$47,842
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		**201,626**	**31,030**		**302,797**	**47,842**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$201,626**	**$31,030**		**$302,797**	**$47,842**
Employer normal cost rate						
General Service			**15.39%**			**15.80%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**15.39%**			**15.80%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	$48,505
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.91%
B. Actual employer payroll	217,585
C. Payment to transition liability/(surplus)	1,980
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.89%
B. Actual employer payroll	210,661
C. Payment to transition liability/(surplus)	1,874
4. Supplemental payment to transition liability	0
5. Interest	3,460
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**$48,111**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	48,111	48,505
2. Combined valuation payroll	439,158	434,694
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**1.02%**	**0.99%**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

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

Side Account Information

Side Account Balances

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

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	439,158	434,694
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Green Sanitary/2765
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
Green Sanitary/2765

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Green Sanitary -- #2765

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Green Sanitary to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Green Sanitary.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Green Sanitary

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	13.02%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate[1]	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate[2]	(1.54%)	(1.54%)	(1.54%)	(1.54%)	(1.54%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**14.78%**	**14.78%**	**18.27%**	**9.09%**	**13.20%**
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.53%**	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**15.31%**	**15.31%**	**18.80%**	**9.54%**	**13.65%**

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 transition liability/(surplus) rate and 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 pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP 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 or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Green Sanitary

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled SLGRP T1/T2 UAL	$198,919	$259,147
Allocated pre-SLGRP pooled liability/(surplus)	(50,685)	(50,152)
Transition liability/(surplus)	(43,363)	(44,421)
Allocated pooled OPSRP UAL	18,550	17,840
Side account	0	0
Net unfunded pension actuarial accrued liability	123,421	182,414
Combined valuation payroll	262,354	253,106
Net pension UAL as a percentage of payroll	47%	72%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.54%)	(1.56%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$3,631	$5,310
Allocated pooled RHIPA UAL	$0	$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$398.2	$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	$31,738.8	$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	$5,121.9	$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate[1]	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	$577.5	$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	$68,339	$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	$1,298	$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	$1,992	$1,944

[1] *The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2013**	**December 31, 2012**
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2013**	**December 31, 2012**
Normal cost	$1.3	$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	$61.2	$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	$2,531.5	$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	15.39%	$133,286	$20,513	15.80%	$128,097	$20,239
Tier 2 General Service	10.57%	129,068	13,642	10.58%	125,009	13,226
Total General Service		**262,354**	**34,155**		**253,106**	**33,465**
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		**0**	**0**		**0**	**0**
Total		**$262,354**	**$34,155**		**$253,106**	**$33,465**
Employer normal cost rate						
General Service			**13.02%**			**13.22%**
Police & Fire			**16.51%**			**16.72%**
Aggregate (Default)			**13.02%**			**13.22%**

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	($44,421)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.72%)
B. Actual employer payroll	123,770
C. Payment to transition liability/(surplus)	(2,129)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.60%)
B. Actual employer payroll	127,999
C. Payment to transition liability/(surplus)	(2,048)
4. Supplemental payment to transition liability	0
5. Interest	(3,119)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($43,363)**

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(43,363)	(44,421)
2. Combined valuation payroll	262,354	253,106
3. Regular amortization factor	10.703	11.272
4. **Total transition liability/(surplus) rate**	**(1.54%)**	**(1.56%)**

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012		**N/A**	
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$0	$0
2. Combined valuation payroll	262,354	253,106
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

[1] *For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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