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March 20, 2018

Ms. Debra Hembree
Actuarial Services Coordinator
Oregon PERS

Re: GASB 75 Employer Reporting for June 30, 2017 Measurement Date

Dear Debra,

As requested, we prepared the attached exhibits to assist the Oregon Public Employees Retirement System ("PERS" or "the System") in providing financial reporting information for Other Postemployment Benefits (OPEB) to participating employers using a June 30, 2017 Measurement Date. We understand PERS will provide employers the information needed to assist them in fulfilling Governmental Accounting Standards Board Statement No. 75 (GASB 75) reporting requirements. Under GASB 75, System financial reporting information using a June 30, 2017 Measurement Date can be used in employer CAFR disclosures for fiscal year-end dates up to June 30, 2018.

The attached exhibits also are intended to assist the System's auditor in reviewing the development of financial reporting information.

Information is provided for GASB 75 reporting for both the Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) programs. Based on discussions with PERS and the System's auditors, we understand that RHIA is considered a cost-sharing multiple-employer OPEB plan under GASB standards, while RHIPA is considered a single-employer OPEB plan for the State. The information provided for the two programs varies according to the different requirements for cost-sharing multiple-employer versus single-employer plans under GASB 75.

The attached exhibits are:

- Exhibit A: RHIA Collective OPEB Expense
- Exhibit B: RHIA Schedule of Collective Deferred Outflows/(Inflows) of Resources
- Exhibit C: RHIA Proportionate Share and Net OPEB Liability/(Asset) by Employer
- Exhibit D: RHIA Schedule of OPEB Amounts by Employer
- Exhibit E: RHIA Deferred Outflows/(Inflows) for Employer-Specific Adjustments
- Exhibit F: RHIA Amortization Schedules for Employer-Specific Deferred Outflows/(Inflows)
- Exhibit G: RHIPA OPEB Expense
- Exhibit H: RHIPA Schedule of Deferred Outflows/(Inflows) of Resources



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Exhibit A shows the development of the RHIA “Collective OPEB Expense” for the Measurement Period from July 1, 2016 to June 30, 2017. Exhibit B summarizes the deferred amounts relevant to the calculation of the RHIA Collective OPEB Expense for the Measurement Period. Because RHIA is considered a cost-sharing multiple-employer OPEB plan under GASB 75, all contributing employers are required to recognize a proportionate share of the Collective OPEB Expense.

Exhibits G and H provide similar information for the RHIPA program, but these are not “collective” amounts and will not be recognized by all PERS employers. Instead, we understand the State will fully reflect the RHIPA OPEB expense and the relevant deferred amounts in its financial reporting.

The actuarial basis used to develop the RHIA Collective OPEB Expense and the RHIPA OPEB Expense is identical to that used in preparing System financial reporting information as of June 30, 2017 under GASB 74, as described in our November 29, 2017 letter.

Exhibit C develops each employer’s proportion of collective RHIA amounts at both the current and prior Measurement Date and lists each employer’s proportionate share of the RHIA Net OPEB Liability / (Asset) at each date. In this exhibit, an employer’s proportionate share for RHIA has been determined based on the employer’s contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on that Measurement Date. The collective RHIA Net OPEB Liability / (Asset) for the System is shown in the table below, which comes from our November 29, 2017 letter providing GASB 74 results for RHIA.

RHIA Net OPEB Liability (Asset)	Measurement Date	
	June 30, 2016	June 30, 2017
Total OPEB liability	\$ 464,058,981	\$ 470,045,522
Fiduciary net position	<u>436,902,738</u>	<u>511,779,602</u>
Net OPEB liability (asset)	\$ 27,156,243	(\$ 41,734,080)

Note that the sum of the Net OPEB Liability / (Asset) allocated to employers on Exhibit C differs slightly from the amounts in the table due to rounding.

Exhibit D summarizes key information needed for GASB 75 reporting by employer. There are 796 employers included on this listing. The exhibit includes each employer’s proportionate share of the RHIA Net OPEB Liability, Collective OPEB Expense, and Deferred Outflows and Inflows of Resources. In addition, the exhibit also shows expense and deferred amounts arising due to employer-specific adjustments described in Paragraphs 64 and 65 of GASB 75. These adjustments arise when an employer’s proportion (stated as a percentage) changes from one Measurement Date to another or when the employer’s contributions during the Measurement Period (as reported to us by PERS) differ from the employer’s proportionate share of all System contributions during the period. Amounts arising from these two sources of employer adjustments are shown separately on the exhibit. Note that because an employer’s proportionate share for RHIA is based upon the employer’s contributions during the Measurement Period, the second potential source of employer-specific adjustment (Paragraph 65) is zero for all employers.

The information from Exhibit D will be provided in a separate one-page schedule for each listed employer. We understand PERS will distribute the additional schedules to employers.



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Exhibit E shows the detailed development of the deferred amounts arising during the Measurement Period due to employer-specific adjustments under Paragraphs 64 and 65 of GASB 75.

Exhibit F lists all outstanding deferral bases associated with employer-specific adjustments. Each deferral base in this schedule is identified as attributable to a change in proportion (Paragraph 64). No bases are shown for a difference in employer's contributions (Paragraph 65) because, as noted above, under the RHIA proportionate share methodology there is no difference between actual contributions and the proportionate share of contributions for an employer in any given measurement period. This exhibit provides the detail behind the summary amounts related to employer-specific adjustments shown on Exhibit D.

Measurement Date and Reporting Date Timing

The results contained in the attached exhibits were developed as of a June 30, 2017 Measurement Date, based on an Actuarial Valuation Date of December 31, 2015.

An employer's Reporting Date under GASB 75 is the employer's fiscal year-end. However, the information reported as of that date can be based on a Measurement Date up to 12 months earlier. There is an additional constraint that the Actuarial Valuation Date can be no more than 30 months prior to the Reporting Date.

For PERS employers with a June 30 fiscal year-end, the information contained in the attached exhibits can be used for a GASB 75 Reporting Date of June 30, 2018, because it satisfies both prongs of the timing requirements: the Measurement Date (June 30, 2017) is no more than 12 months prior to the Reporting Date and the Actuarial Valuation Date (December 31, 2015) is no more than 30 months prior to the Reporting Date.

PERS employers with other than a June 30 fiscal year-end will need to map these results to the appropriate Reporting Date to comply with GASB's timing requirements. For example, an employer with a December 31, 2017 Reporting Date will not be required to present GASB 75-compliant results in its financial statements, as GASB 75 is first effective for fiscal years beginning after June 15, 2017. (Employers may choose to adopt it earlier). An employer presenting GASB 75 results at a December 31, 2018 Reporting Date should use the results developed at the June 30, 2018 Measurement Date for its GASB 75 reporting in order to comply with the timing requirements described above.

Valuation

The December 31, 2015 Actuarial Valuation is used to develop the GASB 74 and GASB 75 financial reporting results for RHIA and RHIPA as of June 30, 2017. The formal December 31, 2015 Actuarial Valuation report should be referenced for full detail on the data and assumptions used, actuarial methods applied, provisions valued, and other important information regarding the use, applicability, and limitations of actuarial valuation results. Additional information on the actuarial assumptions is included in the 2014 Experience Study report, published September 23, 2015. There were no differences between the assumptions and plan provisions used for June 30, 2017 Measurement Date calculations compared to those shown in the aforementioned reports.



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Changes Subsequent to the Measurement Date

As described above, GASB 74 and GASB 75 require the Total OPEB Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraphs 56f and 96f of GASB 75 require employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's Net OPEB Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes subsequent to the June 30, 2017 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

Actuarial Basis

Our analysis and conclusions are based on our understanding of the request and the data, methods, and assumptions described herein. Differences in the data, methods, assumptions, and interpretations of the plan provisions may produce different results.

In preparing these results, 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 the 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 these reports 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 Oregon PERS Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated herein at the September 2015 Board Meeting.



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Some of the actuarial computations presented in the valuation report are for purposes of determining contribution rates for System employers. The actuarial computations presented in this letter under GASB Statement No. 75 are for purposes of assisting the System in providing information to participating employers to fulfill financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our reports. The calculations in the report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations have been made on a basis consistent with our understanding of the System benefit provisions as summarized in the report, and of GASB Statements No. 75. 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's work has been prepared exclusively for the Oregon Public Employees Retirement System for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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

The signing actuaries are independent of the 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.

Sincerely,



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



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

cc: Amanda Marble
Jason Stanley



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