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

503 227 0634

September 28, 2012

State Judiciary/2099
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, 2011. 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, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. The State Judiciary does not participate in the OPSRP or IAP plans.

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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Detailed development of Tier 1/Tier 2 valuation results
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional detailed 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 July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 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 Statements No. 27 and 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 28, 2012

State Judiciary/2099

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.

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,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

The information contained in this document (including any attachments) is not intended by Milliman to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

State Judiciary -- #2099

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for State Judiciary to:

- Provide summary December 31, 2011, valuation results for the Retiree Healthcare Insurance Account (RHIA) and the Retiree Healthcare Insurance Premium Account (RHIPA),
- Provide employer-specific valuation results for pension assets and liabilities as of December 31, 2011, and
- Provide employer-specific contribution rates effective July 1, 2013 through June 30, 2015.
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific pension rates and applies the results from the system-wide valuation to State Judiciary. In the system-wide valuation report, pension valuation results for the State Judiciary are included with the Tier 1/Tier 2 valuation results for Independent Employers.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015.

Employer Rates Effective July 1, 2013, for State Judiciary

Pension	
Employer normal cost rate	21.89%
UAL rate [1]	(0.44%)
Employer pension contribution rate	21.45%
Member contribution rate	7.00%
Total pension contribution rate	**28.45%**
Retiree Healthcare	
Normal cost rate	0.17%
UAL rate	0.69%
Net retiree healthcare rate	**0.86%**
Total net employer contribution rate	**29.31%**

[1] *Includes Multnomah Fire District #10 rate.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If an employer's funded status is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If an employer's funded status is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale.

For comparison, the funded status as of December 31, 2011 is 79%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Employer Normal Cost and UAL Rate	21.45%	21.45%
Minimum July 1, 2015 Rate	17.16%	12.87%
Maximum July 1, 2015 Rate	25.74%	30.03%

In addition to the employer rate, for State Judiciary there is a member contribution rate equal to 7.0 percent of payroll.

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

We understand that non-pooled employers are considered to be participating in an Agent-Multiple Employer plan for purposes of their pension liabilities under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The following information is provided to assist in completion of the disclosures required.

Annual Required Contribution

The Annual Required Contribution (ARC) for the pension liabilities for the period July 1, 2013 to June 30, 2015 is based on this valuation. The ARC for the period from July 1, 2011 to June 30, 2013 was based on the December 31, 2009 valuation.

Because the actuarial and rate smoothing methodologies do not always produce a contribution rate that qualifies as an ARC due to multiple amortization bases, the rate collar, and the minimum contribution rate, the equivalent single amortization period is calculated based on the contribution rate. If the equivalent single amortization period is less than 30, the ARC equals the contribution rate. If not, the ARC differs from the contribution rate and equals the normal cost plus a 30-year amortization of the UAL. The equivalent single amortization period and the amortization factor used for the ARC are shown in the table below.

	July 1, 2013 to June 30, 2015	**July 1, 2011 to June 30, 2013**
Equivalent single amortization period	30	30
Amortization factor	17.175	17.175

The ARC is expressed as a contribution rate that is applied to payroll for the contribution rate period. The ARCs are shown in the table below.

	Annual Required Contribution [1]
July 1, 2011 to June 30, 2013	32.05%
July 1, 2013 to June 30, 2015	38.75%

[1] *Note that it is mathematically possible for the ARC to be negative. Question 131 of the Guide to the Implementation of GASB Statements 25, 26, and 27 indicates that it is common practice to set the ARC at zero if it would otherwise be negative. The figures shown above for the 2011-2013 and 2013-2015 biennia have not been limited to zero. The appropriate disclosure should be discussed with your auditor.*

Executive Summary

Accounting Information (continued)

Required Supplementary Information

Schedule of Funding Progress

The Schedule of Funding Progress is required for the pension liabilities. The table below shows the schedule for the last several valuations. For employers with side accounts, the actuarial value of assets in this Schedule includes the value of the employer's side accounts.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
12/31/2006	$174,284,433	$151,123,977	($23,160,456)	115%	$15,466,773	(150%)
12/31/2007	194,861,683	171,208,564	(23,653,119)	114%	17,376,971	(136%)
12/31/2008	147,366,398	177,501,923	30,135,525	83%	18,682,833	161%
12/31/2009	164,586,887	190,152,810	25,565,923	87%	17,662,896	145%
12/31/2010	185,835,730	222,034,366	36,198,636	84%	16,460,304	220%
12/31/2011	179,529,366	227,452,423	47,923,057	79%	16,638,870	288%

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) and the Retiree Health Insurance Premium Account (RHIPA) are cost-sharing pools under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). Consequently, each employer reports the contractually required contributions. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part this valuation, and is expressed as contribution rates that are applied to payroll. The rates are shown in the table below.

	Contractually Required Contribution
RHIA July 1, 2011 to June 30, 2013	0.59%
RHIPA July 1, 2011 to June 30, 2013	0.16%
RHIA July 1, 2013 to June 30, 2015	0.59%
RHIPA July 1, 2013 to June 30, 2015	0.27%

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.

State Judiciary

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Total normal cost	$4,806,985	$4,994,112
Valuation payroll	16,638,870	16,460,304
Total normal cost rate (includes member contributions)	28.89%	30.34%
Actuarial accrued liability	$227,452,423	$222,034,366
Actuarial asset value	179,529,366	185,835,730
Unfunded actuarial accrued liability	47,923,057	36,198,636
Funded status	79%	84%
Combined valuation payroll	$16,638,870	$16,460,304
UAL as a percentage of payroll	288%	220%
UAL rate (includes Multnomah Fire District #10)	(0.44%)	(2.24%)
Allocated pooled RHIA UAL	431,038	592,216
Allocated pooled RHIPA UAL	209,232	195,143
Active members[1]	181	177
Dormant members	15	20
Retirees and beneficiaries	210	195

[1] *Active counts do not include concurrent employees who have a separate dominant employer.*

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

($ in millions)	Actuarial Valuation as of	
RHIA	**December 31, 2011**	**December 31, 2010**
Normal cost	$5.8	$6.0
Tier 1 / Tier 2 valuation payroll	5,607.9	5,930.3
Normal cost rate	0.10%	0.10%
Actuarial accrued liability	$461.1	$547.1
Actuarial asset value	239.6	232.3
Unfunded actuarial accrued liability	221.5	314.8
Funded status	52%	42%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	3%	4%
UAL rate	0.49%	0.56%

($ in millions)	Actuarial Valuation as of	
RHIPA	**December 31, 2011**	**December 31, 2010**
Normal cost	$1.1	$1.2
Tier 1 / Tier 2 valuation payroll	1,539.5	1,603.3
Normal cost rate	0.07%	0.07%
Actuarial accrued liability	$34.4	$33.9
Actuarial asset value	4.5	5.7
Unfunded actuarial accrued liability	29.9	28.2
Funded status	13%	17%
Combined valuation payroll	$2,376.9	$2,379.7
UAL as a percentage of payroll	1%	1%
UAL rate	0.20%	0.17%

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

Pension Valuation Results

Assets

A summary of the market value of pension assets, and reconciliation from the prior year are shown below.

Summary of Market Value of Pension Assets

	December 31, 2011	December 31, 2010
1. Member reserves [1]	$30,492,841	$36,814,583
2. Employer reserves	72,426,409	75,687,226
3. Benefits in force reserve	76,610,116	73,333,921
4. Total market value of assets ***(1. + 2. + 3.)***	**$179,529,366**	**$185,835,730**

The market value of member and employer reserves is provided by PERS. The benefits in force reserve provided by PERS is allocated each year among employers in proportion to their liabilities for benefits in force.

Reconciliation of Pension Assets

		December 31, 2010 to December 31, 2011
1.	Market value of assets at beginning of year	$185,835,730
2.	Regular employer and member contributions	5,021,375
3.	Benefit payments and expense	(12,835,496)
4.	Adjustments [2]	(3,898,999)
5.	Interest credited	5,406,756
6.	Total transferred from side accounts	0
7.	**Market value of assets at end of year** ***(1. + 2. + 3. + 4. + 5. + 6.)***	**$179,529,366**

[1] *For both the December 31, 2010 valuation and the December 31, 2011 valuation, reported member reserves were reduced to reflect the deficit status of the Tier 1 Rate Guarantee Reserve, as described in the system-wide report. The amount shown here is after this reduction.*

[2] *Note the adjustment item above includes a reallocation of the benefits in force reserve, exclusion of the negative Tier 1 Rate Guarantee Reserve from the member reserve, transfers to Multnomah Fire District #10, and other adjustments made by PERS.*

Pension Valuation Results

Liabilities

Normal Cost

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 plan benefits.

Summary of Normal Cost

	December 31, 2011	December 31, 2010
Total Normal Cost	**$4,806,985**	**$4,994,112**

Change in Total Normal Cost Due to Assumption Changes

The following table shows the impact of the assumption changes on normal cost as of December 31, 2011.

	Before Changes	After Changes	Net Change
Total Normal Cost	$4,806,985	$4,806,985	$0

Pension Valuation Results

Liabilities (continued)

Actuarial Accrued Liability

The actuarial accrued liability represents the value of benefits attributed to prior years of service by the actuarial cost method. If all actuarial assumptions are met, the actuarial accrued liability represents the amount that would need to be set aside to provide for the benefits already earned to date.

	December 31, 2011	December 31, 2010
Active Members	$79,403,264	$83,204,258
Dormant Members	8,715,573	18,081,967
Retired Members and Beneficiaries	139,333,586	120,748,141
Total Actuarial Accrued Liability	**$227,452,423**	**$222,034,366**

Change in Actuarial Accrued Liability Due to Assumption Changes

The following table shows the impact of the assumption changes on the actuarial accrued liability as of December 31, 2011.

	Before Changes	After Changes	Net Change
Actuarial Accrued Liability	$227,452,423	$227,452,423	$0

Pension Valuation Results

Unfunded Accrued Liability (UAL)

Summary of UAL

The UAL represents the difference between the assets accumulated and the liability attributed to prior years of service by the cost method.

	December 31, 2011	December 31, 2010
1. Actuarial accrued liability	$227,452,423	$222,034,366
2. Actuarial value of assets	179,529,366	185,835,730
3. Unfunded accrued liability *(1. – 2.)*	47,923,057	36,198,636
4. Funded percentage *(2. ÷ 1.)*	79%	84%
5. Valuation payroll	$16,638,870	$16,460,304
6. Unfunded accrued liability as % of valuation payroll *(3. ÷ 5.)*	288%	220%

Reconciliation of UAL Bases

Beginning with the December 31, 2007 actuarial valuation, each odd-year valuation establishes a 20-year closed-period amortization base for outstanding regular Tier 1/Tier 2 UAL amounts. For odd-year valuations subsequent to December 31, 2007, this amortization base is calculated based on the total Tier 1/Tier 2 UAL as of the valuation date less the remaining unamortized balance of any Tier 1/Tier 2 UAL bases established at previous odd-year valuation dates. In other words, Tier 1/Tier 2 experience from December 31, 2009 to December 31, 2011 is amortized on a 20-year basis in the December 31, 2011 valuation.

Amortization Base	UAL December 31, 2010	Payment	Interest	UAL December 31, 2011	Next Year's Payment
December 31, 2007	($15,936,588)	($1,313,347)	($1,219,020)	($15,842,261)	($1,362,598)
December 31, 2009	$41,668,930	$3,183,069	$3,198,016	$41,683,877	$3,302,434
December 31, 2011	N/A	N/A	N/A	$22,081,441	$1,630,710
Total				**$47,923,057**	**$3,570,546**

Pension Valuation Results

Unfunded Accrued Liability (UAL) (continued)

Actuarial Gain or Loss since Prior Valuation

The system-wide report contains a detailed analysis of gains and losses since the last valuation. The table below shows the gain or loss for the individual employer.

1. Expected actuarial accrued liability	
a. Actuarial accrued liability at December 31, 2010	$222,034,366
b. Total normal cost at December 31, 2010	4,994,112
c. Benefit payments during 2011	(12,751,365)
d. Interest at 8.0% to December 31, 2011	17,652,224
e. Expected actuarial accrued liability before changes *(a. + b. + c. + d.)*	231,929,337
f. Change in actuarial accrued liability due to assumption changes	0
g. Expected actuarial accrued liability at December 31, 2011 *(e. + f.)*	231,929,337
2. Actuarial accrued liability at December 31, 2011	227,452,423
3. Gain/(loss) on actuarial accrued liability *(1.g. – 2.)*	4,476,914
4. Expected actuarial value of assets	
a. Actuarial value of assets at December 31, 2010	185,835,730
b. Contributions for 2011[1]	5,021,375
c. Benefit payments and expenses during 2011	(12,835,496)
d. Interest at 8.0% to December 31, 2011	14,554,294
e. Expected actuarial value of assets at December 31, 2011 *(a. + b. + c. + d.)*	192,575,903
5. Actuarial value of assets at December 31, 2011	179,529,366
6. Gain/(loss) on actuarial value of assets *(5. - 4.e.)*	(13,046,536)
7. Total actuarial gain/(loss) ***(3. + 6.)***	**($8,569,622)**

Unfunded Accrued Liability Reconciliation

A reconciliation of the Tier 1/Tier 2 UAL from December 31, 2010, is provided below.

1. UAL at December 31, 2010	**$36,198,636**
2. Expected increase	3,154,799
3. Liability (gain)/loss	(4,476,914)
4. Asset (gain)/loss	13,046,536
5. Change due to changes in assumptions	0
6. UAL at December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***	**$47,923,057**

[1] *Excludes contributions for Multnomah Fire District.*

Pension Valuation Results

Contribution Rate Development

Normal Cost Rate

For State Judiciary, the total normal cost calculated previously is divided by expected payroll to determine a total normal cost rate. The member contribution rate is subtracted from the total normal cost rate to determine the employer normal cost rate. The table below shows the development of the rate.

Development of Normal Cost Rate

	December 31, 2011			December 31, 2010		
	Normal Cost	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost Rate**	**Normal Cost**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost Rate**
Total normal cost	$4,806,985	$16,638,870	28.89%	$4,994,112	$16,460,304	30.34%
Member contribution rate			(7.00%)			(7.00%)
Employer normal cost rate			21.89%			23.34%

Pension Valuation Results

Contribution Rate Development (continued)

Development of UAL Rates

The UAL rate is determined by calculating the next year's scheduled payment to the UAL as a percentage of combined valuation payroll.

	December 31, 2011	December 31, 2010
1. Total UAL	$47,923,057	$36,198,636
2. Next year's UAL payment	3,570,546	2,642,656
3. Combined valuation payroll	16,638,870	16,460,304
4. UAL rate *(2. ÷ 3)*	21.46%	16.05%

Pension Valuation Results

Contribution Rate Development (continued)

Pension Contribution Rate Summary (Pre-Rate Collar)

The following table summarizes the employer's pension contribution rate.

	July 1, 2013 Rates calculated as of December 31, 2011	Advisory July 1, 2013 Rates calculated as of December 31, 2010
1. Employer pension contribution rates		
a. Employer Normal Cost Rate	21.89%	23.34%
b. UAL rate	21.46%	16.05%
c. Multnomah Fire District #10 rate	0.13%	0.12%
d. Total employer pension rate *(a. + b. + c.)*	43.48%	39.51%
2. Member pension contribution rate	7.00%	7.00%
3. Total pension contribution rate	50.48%	46.51%

Pension Valuation Results

Contribution Rate Development (continued)

Adjustments Due to Rate Collar

Employer contribution rates are generally limited to change by no more than the greater of 3 percentage points or 20 percent from the current contribution rate. However, if the funded percentage excluding side accounts is below 70 percent or above 130 percent the rate collar doubles in size. If the funded percentage excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the collar is increased on a graded scale.

The table below shows the current contribution rate for the period from July 1, 2011, through June 30, 2013, develops the maximum and minimum contribution rates effective July 1, 2013 based on the collar, and calculates the net adjustment due to the collar.

1. Current total pension contribution rate	24.58%
2. Current member contribution rate	7.00%
3. Current employer pension contribution rate *(1. - 2.)*	17.58%
4. Size of rate collar	
a. 20% of current employer contribution rate *(20% x 3.)*	3.52%
b. Preliminary size of rate collar *(maximum of 3% or a.)*	3.52%
c. Funded percentage	79%
d. Size of rate collar *(If c. < 70% or c. > 130%, 2 x b. If c. is 80%-120%, b. Otherwise, a graded rate between b. and 2 x b.)*	3.87%
5. July 1, 2013 minimum employer contribution rate *(3. – 4.d.)*	13.71%
6. July 1, 2013 maximum employer contribution rate *(3. + 4.d.)*	21.45%
7. July 1, 2013 total employer pension rate, before adjustment	43.48%
8. Net adjustment due to rate collar *(5. – 7., but not < 0, or 6. – 7., but not > 0)*	(22.03%)
9. July 1, 2013 pension UAL rate, before collar	21.46%
10. July 1, 2013 pension UAL rate, after collar *(8. + 9.)*	(0.57%)
11. July 1, 2013 total employer pension rate, after collar *(7. + 8.)*	21.45%

Pension Valuation Results

Contribution Rate Development (continued)

Pension Contribution Rate Summary (Post Rate Collar)

The table below summarizes the employer's pension contribution rate for Tier 1 /Tier 2 after adjustments for the rate collar.

	July 1, 2013 Rates calculated as of December 31, 2011	Advisory July 1, 2013 Rates calculated as of December 31, 2010
1. Employer pension contribution rates		
a. Employer normal cost rate	21.89%	23.34%
b. UAL rate	(0.57%)	(2.36%)
c. Multnomah FD #10 rate	0.13%	0.12%
d. Total employer pension rate *(a. + b. + c., minimum 0.00%)*	21.45%	21.10%
2. Member pension contribution rate	7.00%	7.00%
3. Total pension contribution rate	28.45%	28.10%

Data

Demographic Information

State Judiciary Member Census

	December 31, 2011	December 31, 2010
Active Members[1]	181	177
Active Members with previous service segments with the employer	1	1
Dormant Members	15	20
Retired Members and Beneficiaries	210	195
Grand Total Number of Members	**407**	**393**

1 *Active counts do not include concurrent employees who have a separate dominant employer.*

Data

Demographic Information (continued)

State Judiciary Active Members as of December 31, 2011

	Years of Service									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**	**Total**
0-20										
20-24										
25-29										
30-34										
35-39	1									**1**
40-44	8		2	2						**12**
45-49	8	5	2	3	1					**19**
50-54	10	7	8	3	7					**35**
55-59	4	9	5	12	11	4	3			**48**
60-64	4	6	12	8	9	1	2	1		**43**
65-69			6	3	4	2	2	1		**18**
70-74			2					2		**4**
75+			1							**1**
Total	**35**	**27**	**38**	**31**	**32**	**7**	**7**	**4**		**181**

Distribution of State Judiciary Dormant Members

Age	Count	Average Deferred Monthly Benefit
0-20		
20-24		
25-29		
30-34		
35-39		
40-44		
45-49		
50-54	1	4,681
55-59	1	2,146
60-64	9	2,994
65-69	3	8,072
70-74		
75+	1	4,926
Total	15	4,194

Distribution of State Judiciary Retired Members and Beneficiaries

Age	Count	Average Monthly Benefit
0-45		
45-49		
50-54		
55-59		
60-64	29	6,472
65-69	46	5,793
70-74	34	5,643
75-79	27	5,608
80-84	35	5,139
85-89	19	4,554
90-94	14	3,967
95-99	6	3,024
100+		
Total	210	5,417

Brief Summary of Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2011, valuation can be found in the system-wide report.

Methods

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

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
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 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, 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	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members’ regular account balances. 8.25% compounded annually on members’ variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 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, 2010, 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, 2010, 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

The following change in plan provisions occurred since the December 31, 2010, actuarial valuation:

- House Bill 2456, signed into law in August 2011, removed the HB 3349 "tax remedy" adjustment for members who retire after 2011 and are not residents of Oregon. The effects of this legislation were not reflected in this valuation. In our professional judgment, reflecting the effects of HB 2456 would not have materially affected system funded status as of December 31, 2011, or 2013-2015 employer contribution rates.

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 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.

Glossary

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

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.

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 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.

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

In compliance with the Americans with Disabilities Act, PERS will provide this document in an alternate format upon request. To request this, contact PERS at 888-320-7377 or TTY 503-603-7766.