Milliman
111 SW Fifth Avenue, Suite 3700
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September 28, 2012

Amity School District/4306
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Amity School District/4306

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.

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

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

SCHOOL DISTRICT POOL

Douglas Education Service District -- #4306

SEPTEMBER 2012

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Executive Summary

Milliman has prepared this report for Amity School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Amity School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Amity School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(18.60%)	(18.60%)	(18.60%)
Net pension contribution rate	**7.50%**	**5.60%**	**8.33%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.09%**	**6.09%**	**8.82%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.47%	0.05%	2.76%
July 1, 2013 to June 30, 2015	7.50%	5.60%	8.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Amity School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$8,821,244	$6,982,853
Allocated pooled OPSRP UAL	59,822	43,881
Side account	7,580,841	7,864,818
Net unfunded pension actuarial accrued liability	1,300,225	(838,084)
Combined valuation payroll	3,506,064	3,534,195
Net pension UAL as a percentage of payroll	37%	(24%)
Calculated Side Account Rate Relief	(18.60%)	(18.34%)
Allocated Pooled RHIA UAL	$90,826	$127,155

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$7,864,818**	**$7,864,818**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(489,983)	(489,983)
5. Side account earnings during 2011		207,007	207,007
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,580,841**	**$7,580,841**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,580,841	$7,864,818
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,580,841**	**$7,864,818**

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, 2011	December 31, 2010
1. Total side account	$7,580,841	$7,864,818
2. Combined valuation payroll	3,506,064	3,534,195
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(18.60%)	(18.34%)

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

Brief Summary of 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.

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- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Amity School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Amity School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(18.60%)	(18.60%)	(18.60%)
Net pension contribution rate	**7.50%**	**5.60%**	**8.33%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.09%**	**6.09%**	**8.82%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.47%	0.05%	2.76%
July 1, 2013 to June 30, 2015	7.50%	5.60%	8.33%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Amity School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$8,821,244	$6,982,853
Allocated pooled OPSRP UAL	59,822	43,881
Side account	7,580,841	7,864,818
Net unfunded pension actuarial accrued liability	1,300,225	(838,084)
Combined valuation payroll	3,506,064	3,534,195
Net pension UAL as a percentage of payroll	37%	(24%)
Calculated Side Account Rate Relief	(18.60%)	(18.34%)
Allocated Pooled RHIA UAL	$90,826	$127,155

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$7,864,818**	**$7,864,818**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(489,983)	(489,983)
5. Side account earnings during 2011		207,007	207,007
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,580,841**	**$7,580,841**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,580,841	$7,864,818
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,580,841**	**$7,864,818**

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, 2011	December 31, 2010
1. Total side account	$7,580,841	$7,864,818
2. Combined valuation payroll	3,506,064	3,534,195
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(18.60%)	(18.34%)

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

Brief Summary of 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.

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September 28, 2012

Baker School District #5J/3003
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Baker School District #5J/3003

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
Baker School District #5J/3003

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.

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

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

SCHOOL DISTRICT POOL

Baker School District #5J -- #3003

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Baker School District #5J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Baker School District #5J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Baker School District #5J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.62%)	(9.62%)	(9.62%)
Net pension contribution rate	**16.48%**	**14.58%**	**17.31%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.07%**	**15.07%**	**17.80%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
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Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.26%	8.84%	11.55%
July 1, 2013 to June 30, 2015	16.48%	14.58%	17.31%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Baker School District #5J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$20,196,267	$17,544,144
Allocated pooled OPSRP UAL	136,962	110,250
Side account	8,975,258	9,507,360
Net unfunded pension actuarial accrued liability	11,357,971	8,147,034
Combined valuation payroll	8,027,145	8,879,526
Net pension UAL as a percentage of payroll	141%	92%
Calculated Side Account Rate Relief	(9.62%)	(8.82%)
Allocated Pooled RHIA UAL	$207,947	$319,471

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$9,507,360**	**$9,507,360**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(787,106)	(787,106)
5. Side account earnings during 2011		256,004	256,004
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,975,258**	**$8,975,258**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,975,258	$9,507,360
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,975,258**	**$9,507,360**

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, 2011	December 31, 2010
1. Total side account	$8,975,258	$9,507,360
2. Combined valuation payroll	8,027,145	8,879,526
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.62%)	(8.82%)

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

Brief Summary of 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.

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September 28, 2012

Banks School District/4035
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Banks School District/4035

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.

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

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

SCHOOL DISTRICT POOL

Banks School District -- #4035

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Banks School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Banks School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Banks School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.90%)	(4.90%)	(4.90%)
Net pension contribution rate	**21.20%**	**19.30%**	**22.03%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.79%**	**19.79%**	**22.52%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	14.66%	13.24%	15.95%
July 1, 2013 to June 30, 2015	21.20%	19.30%	22.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Banks School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$9,329,231	$8,800,555
Allocated pooled OPSRP UAL	63,267	55,304
Side account	2,111,726	2,249,231
Net unfunded pension actuarial accrued liability	7,280,772	6,606,628
Combined valuation payroll	3,707,967	4,454,179
Net pension UAL as a percentage of payroll	196%	148%
Calculated Side Account Rate Relief	(4.90%)	(4.16%)
Allocated Pooled RHIA UAL	$96,057	$160,254

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$2,249,231**	**$2,249,231**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(196,201)	(196,201)
5. Side account earnings during 2011		59,696	59,696
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,111,726**	**$2,111,726**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,111,726	$2,249,231
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,111,726**	**$2,249,231**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$2,111,726	$2,249,231
2. Combined valuation payroll	3,707,967	4,454,179
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.90%)	(4.16%)

[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 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.

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September 28, 2012

Beaverton School District/4062
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Beaverton School District/4062

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.

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

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

SCHOOL DISTRICT POOL

Beaverton School District -- #4062

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Beaverton School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Beaverton School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Beaverton School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.35%)	(6.35%)	(6.35%)
Net pension contribution rate	**19.75%**	**17.85%**	**20.58%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.34%**	**18.34%**	**21.07%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.43%	11.01%	13.72%
July 1, 2013 to June 30, 2015	19.75%	17.85%	20.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Beaverton School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$499,339,520	$401,893,702
Allocated pooled OPSRP UAL	3,386,299	2,525,567
Side account	146,490,920	157,431,820
Net unfunded pension actuarial accrued liability	356,234,899	246,987,449
Combined valuation payroll	198,465,921	203,408,362
Net pension UAL as a percentage of payroll	179%	121%
Calculated Side Account Rate Relief	(6.35%)	(6.38%)
Allocated Pooled RHIA UAL	$5,141,360	$7,318,311

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$157,431,820**	**$157,431,820**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(15,168,380)	(15,168,380)
5. Side account earnings during 2011		4,228,480	4,228,480
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$146,490,920**	**$146,490,920**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$146,490,920	$157,431,820
Side Account 2	0	0
Side Account 3	0	0
Total	**$146,490,920**	**$157,431,820**

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, 2011	December 31, 2010
1. Total side account	$146,490,920	$157,431,820
2. Combined valuation payroll	198,465,921	203,408,362
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.35%)	(6.38%)

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 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.

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September 28, 2012

Bend-La Pine Public Schools/3291
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Bend-La Pine Public Schools/3291

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.

September 28, 2012
Bend-La Pine Public Schools/3291

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.

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

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

SCHOOL DISTRICT POOL

Bend-La Pine Public Schools -- #3291

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Bend-La Pine Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Bend-La Pine Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Bend-La Pine Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.64%)	(8.64%)	(8.64%)
Net pension contribution rate	**17.46%**	**15.56%**	**18.29%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.05%**	**16.05%**	**18.78%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.69%	9.27%	11.98%
July 1, 2013 to June 30, 2015	17.46%	15.56%	18.29%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Bend-La Pine Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$175,872,138	$142,541,703
Allocated pooled OPSRP UAL	1,192,687	895,756
Side account	70,168,255	75,947,211
Net unfunded pension actuarial accrued liability	106,896,570	67,490,248
Combined valuation payroll	69,901,589	72,143,888
Net pension UAL as a percentage of payroll	153%	94%
Calculated Side Account Rate Relief	(8.64%)	(8.67%)
Allocated Pooled RHIA UAL	$1,810,836	$2,595,623

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$75,947,211**	**$75,947,211**
2. Deposits during 2011		N/A	
3. Administrative expenses		(3,000)	(3,000)
4. Amount transferred to employer reserves during 2011		(7,885,511)	(7,885,511)
5. Side account earnings during 2011		2,109,555	2,109,555
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$70,168,255**	**$70,168,255**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$40,857,954	$44,222,540
Side Account 2	24,754,103	26,790,873
Side Account 3	4,556,197	4,933,797
Total	**$70,168,255**	**$75,947,211**

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, 2011	December 31, 2010
1. Total side account	$70,168,255	$75,947,211
2. Combined valuation payroll	69,901,589	72,143,888
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(8.64%)	(8.67%)

[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 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.

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September 28, 2012

Brookings-Harbor School District #17C/3283
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Brookings-Harbor School District #17C/3283

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.

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

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

SCHOOL DISTRICT POOL

Brookings-Harbor School District #17C -- #3283

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Brookings-Harbor School District #17C to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Brookings-Harbor School District #17C.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Brookings-Harbor School District #17C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(15.03%)	(15.03%)	(15.03%)
Net pension contribution rate	**11.07%**	**9.17%**	**11.90%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.66%**	**9.66%**	**12.39%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	5.87%	4.45%	7.16%
July 1, 2013 to June 30, 2015	11.07%	9.17%	11.90%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Brookings-Harbor School District #17C

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$15,948,002	$13,206,648
Allocated pooled OPSRP UAL	108,152	82,993
Side account	11,073,851	11,642,767
Net unfunded pension actuarial accrued liability	4,982,303	1,646,874
Combined valuation payroll	6,338,643	6,684,212
Net pension UAL as a percentage of payroll	79%	25%
Calculated Side Account Rate Relief	(15.03%)	(14.35%)
Allocated Pooled RHIA UAL	$164,206	$240,487

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$11,642,767**	**$11,642,767**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(881,777)	(881,777)
5. Side account earnings during 2011		314,861	314,861
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,073,851**	**$11,073,851**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,927,864	$7,285,549
Side Account 2	4,145,987	4,357,218
Side Account 3	0	0
Total	**$11,073,851**	**$11,642,767**

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, 2011	December 31, 2010
1. Total side account	$11,073,851	$11,642,767
2. Combined valuation payroll	6,338,643	6,684,212
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(15.03%)	(14.35%)

[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 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.

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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.

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September 28, 2012

Canby School District/4333
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Canby School District/4333

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.

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

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

SCHOOL DISTRICT POOL

Canby School District -- #4333

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Canby School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Canby School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Canby School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(12.91%)	(12.91%)	(12.91%)
Net pension contribution rate	**13.19%**	**11.29%**	**14.02%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.78%**	**11.78%**	**14.51%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.58%	6.16%	8.87%
July 1, 2013 to June 30, 2015	13.19%	11.29%	14.02%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Canby School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$64,848,000	$54,934,404
Allocated pooled OPSRP UAL	439,770	345,217
Side account	38,685,812	40,735,457
Net unfunded pension actuarial accrued liability	26,601,958	14,544,164
Combined valuation payroll	25,774,283	27,803,663
Net pension UAL as a percentage of payroll	103%	52%
Calculated Side Account Rate Relief	(12.91%)	(12.07%)
Allocated Pooled RHIA UAL	$667,696	$1,000,332

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$40,735,457**	**$40,735,457**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(3,146,346)	(3,146,346)
5. Side account earnings during 2011		1,098,701	1,098,701
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$38,685,812**	**$38,685,812**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$17,068,015	$17,951,263
Side Account 2	21,617,797	22,784,195
Side Account 3	0	0
Total	**$38,685,812**	**$40,735,457**

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, 2011	December 31, 2010
1. Total side account	$38,685,812	$40,735,457
2. Combined valuation payroll	25,774,283	27,803,663
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.91%)	(12.07%)

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

Brief Summary of 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.

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September 28, 2012

Cascade School District #5/4334
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
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The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Cascade School District #5/4334

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.

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

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

SCHOOL DISTRICT POOL

Cascade School District #5 -- #4334

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Cascade School District #5 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Cascade School District #5.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Cascade School District #5

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.82%)	(13.82%)	(13.82%)
Net pension contribution rate	**12.28%**	**10.38%**	**13.11%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.87%**	**10.87%**	**13.60%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.35%	4.93%	7.64%
July 1, 2013 to June 30, 2015	12.28%	10.38%	13.11%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Cascade School District #5

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$24,691,844	$21,695,938
Allocated pooled OPSRP UAL	167,449	136,341
Side account	15,772,398	16,817,407
Net unfunded pension actuarial accrued liability	9,086,895	5,014,872
Combined valuation payroll	9,813,943	10,980,852
Net pension UAL as a percentage of payroll	93%	46%
Calculated Side Account Rate Relief	(13.82%)	(12.62%)
Allocated Pooled RHIA UAL	$254,235	$395,074

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$16,817,407**	**$16,817,407**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,494,986)	(1,494,986)
5. Side account earnings during 2011		450,976	450,976
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$15,772,398**	**$15,772,398**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$15,772,398	$16,817,407
Side Account 2	0	0
Side Account 3	0	0
Total	**$15,772,398**	**$16,817,407**

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, 2011	December 31, 2010
1. Total side account	$15,772,398	$16,817,407
2. Combined valuation payroll	9,813,943	10,980,852
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(13.82%)	(12.62%)

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

Brief Summary of 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.

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September 28, 2012

Central School District #13J/3859
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Central School District #13J/3859

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.

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

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

SCHOOL DISTRICT POOL

Central School District #13J -- #3859

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Central School District #13J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Central School District #13J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Central School District #13J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(14.22%)	(14.22%)	(14.22%)
Net pension contribution rate	**11.88%**	**9.98%**	**12.71%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.47%**	**10.47%**	**13.20%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.25%	4.83%	7.54%
July 1, 2013 to June 30, 2015	11.88%	9.98%	12.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Central School District #13J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$32,063,618	$28,666,059
Allocated pooled OPSRP UAL	217,441	180,142
Side account	21,071,413	22,456,410
Net unfunded pension actuarial accrued liability	11,209,646	6,389,791
Combined valuation payroll	12,743,905	14,508,603
Net pension UAL as a percentage of payroll	88%	44%
Calculated Side Account Rate Relief	(14.22%)	(12.76%)
Allocated Pooled RHIA UAL	$330,137	$521,997

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$22,456,410**	**$22,456,410**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,990,014)	(1,990,014)
5. Side account earnings during 2011		606,017	606,017
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$21,071,413**	**$21,071,413**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$21,071,413	$22,456,410
Side Account 2	0	0
Side Account 3	0	0
Total	**$21,071,413**	**$22,456,410**

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, 2011	December 31, 2010
1. Total side account	$21,071,413	$22,456,410
2. Combined valuation payroll	12,743,905	14,508,603
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.22%)	(12.76%)

[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 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.

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September 28, 2012

City of Phoenix School District/3414
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
City of Phoenix School District/3414

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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

City of Phoenix School District -- #3414

SEPTEMBER 2012

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Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for City of Phoenix School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.06%)	(9.06%)	(9.06%)
Net pension contribution rate	**17.04%**	**15.14%**	**17.87%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.63%**	**15.63%**	**18.36%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.25%	8.83%	11.54%
July 1, 2013 to June 30, 2015	17.04%	15.14%	17.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

City of Phoenix School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$28,973,436	$23,212,898
Allocated pooled OPSRP UAL	196,485	145,874
Side account	12,128,238	12,983,007
Net unfunded pension actuarial accrued liability	17,041,683	10,375,765
Combined valuation payroll	11,515,691	11,748,623
Net pension UAL as a percentage of payroll	148%	88%
Calculated Side Account Rate Relief	(9.06%)	(9.11%)
Allocated Pooled RHIA UAL	$298,320	$422,697

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$12,983,007**	**$12,983,007**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,204,941)	(1,204,941)
5. Side account earnings during 2011		351,172	351,172
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$12,128,238**	**$12,128,238**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$12,128,238	$12,983,007
Side Account 2	0	0
Side Account 3	0	0
Total	**$12,128,238**	**$12,983,007**

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, 2011	December 31, 2010
1. Total side account	$12,128,238	$12,983,007
2. Combined valuation payroll	11,515,691	11,748,623
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.06%)	(9.11%)

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

Brief Summary of 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.

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September 28, 2012

Clackamas Education Service District/4259
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Clackamas Education Service District/4259

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
Clackamas Education Service District/4259

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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Clackamas Education Service District -- #4259

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Clackamas Education Service District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Clackamas Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Clackamas Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.41%)	(9.41%)	(9.41%)
Net pension contribution rate	**16.69%**	**14.79%**	**17.52%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.28%**	**15.28%**	**18.01%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
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Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.09%	9.67%	12.38%
July 1, 2013 to June 30, 2015	16.69%	14.79%	17.52%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Clackamas Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$34,279,058	$31,339,195
Allocated pooled OPSRP UAL	232,465	196,941
Side account	14,899,139	15,795,213
Net unfunded pension actuarial accrued liability	19,612,384	15,740,923
Combined valuation payroll	13,624,447	15,861,543
Net pension UAL as a percentage of payroll	144%	99%
Calculated Side Account Rate Relief	(9.41%)	(8.21%)
Allocated Pooled RHIA UAL	$352,948	$570,673

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$15,795,213**	**$15,795,213**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,322,873)	(1,322,873)
5. Side account earnings during 2011		427,799	427,799
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$14,899,139**	**$14,899,139**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$14,899,139	$15,795,213
Side Account 2	0	0
Side Account 3	0	0
Total	**$14,899,139**	**$15,795,213**

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, 2011	December 31, 2010
1. Total side account	$14,899,139	$15,795,213
2. Combined valuation payroll	13,624,447	15,861,543
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.41%)	(8.21%)

[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 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.

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September 28, 2012

Clatsop County School District #1C/3179
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Clatsop County School District #1C/3179

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.

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

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

SCHOOL DISTRICT POOL

Clatsop County School District #1C -- #3179

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Clatsop County School District #1C to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Clatsop County School District #1C.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Clatsop County School District #1C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(20.22%)	(20.22%)	(20.22%)
Net pension contribution rate	**5.88%**	**3.98%**	**6.71%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.47%**	**4.47%**	**7.20%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	0.42%	0.00%	1.71%
July 1, 2013 to June 30, 2015	5.88%	3.98%	6.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Clatsop County School District #1C

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$21,825,405	$18,796,126
Allocated pooled OPSRP UAL	148,010	118,118
Side account	20,395,160	21,229,233
Net unfunded pension actuarial accrued liability	1,578,255	(2,314,989)
Combined valuation payroll	8,674,657	9,513,185
Net pension UAL as a percentage of payroll	18%	(24%)
Calculated Side Account Rate Relief	(20.22%)	(18.39%)
Allocated Pooled RHIA UAL	$224,721	$342,269

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$21,229,233**	**$21,229,233**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,398,582)	(1,398,582)
5. Side account earnings during 2011		565,510	565,510
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$20,395,160**	**$20,395,160**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$20,395,160	$21,229,233
Side Account 2	0	0
Side Account 3	0	0
Total	**$20,395,160**	**$21,229,233**

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, 2011	December 31, 2010
1. Total side account	$20,395,160	$21,229,233
2. Combined valuation payroll	8,674,657	9,513,185
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(20.22%)	(18.39%)

[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 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.

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September 28, 2012

Coos Bay School District #9/3242
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Coos Bay School District #9/3242

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.

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

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

SCHOOL DISTRICT POOL

Coos Bay School District #9 -- #3242

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Coos Bay School District #9 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Coos Bay School District #9.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Coos Bay School District #9

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.95%)	(4.95%)	(4.95%)
Net pension contribution rate	**21.15%**	**19.25%**	**21.98%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.74%**	**19.74%**	**22.47%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	14.12%	12.70%	15.41%
July 1, 2013 to June 30, 2015	21.15%	19.25%	21.98%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Coos Bay School District #9

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$33,609,360	$26,817,715
Allocated pooled OPSRP UAL	227,924	168,527
Side account	7,686,545	8,176,572
Net unfunded pension actuarial accrued liability	26,150,739	18,809,670
Combined valuation payroll	13,358,271	13,573,110
Net pension UAL as a percentage of payroll	196%	139%
Calculated Side Account Rate Relief	(4.95%)	(4.96%)
Allocated Pooled RHIA UAL	$346,053	$488,339

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$8,176,572**	**$8,176,572**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(710,682)	(710,682)
5. Side account earnings during 2011		221,655	221,655
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,686,545**	**$7,686,545**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,686,545	$8,176,572
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,686,545**	**$8,176,572**

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, 2011	December 31, 2010
1. Total side account	$7,686,545	$8,176,572
2. Combined valuation payroll	13,358,271	13,573,110
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.95%)	(4.96%)

[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 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.

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September 28, 2012

Corvallis School District #509J/3039
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Corvallis School District #509J/3039

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.

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

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.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Corvallis School District #509J -- #3039

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Corvallis School District #509J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Corvallis School District #509J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Corvallis School District #509J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.88%)	(9.88%)	(9.88%)
Net pension contribution rate	**16.22%**	**14.32%**	**17.05%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.81%**	**14.81%**	**17.54%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.38%	8.96%	11.67%
July 1, 2013 to June 30, 2015	16.22%	14.32%	17.05%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Corvallis School District #509J

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$76,504,130	$58,434,309
Allocated pooled OPSRP UAL	518,817	367,211
Side account	35,348,507	31,909,597
Net unfunded pension actuarial accrued liability	41,674,440	26,891,923
Combined valuation payroll	30,407,092	29,575,052
Net pension UAL as a percentage of payroll	137%	91%
Calculated Side Account Rate Relief	(9.88%)	(8.90%)
Allocated Pooled RHIA UAL	$787,711	$1,064,064

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$31,909,597**	**$31,909,597**
2. Deposits during 2011	6,000,000	N/A	6,000,000
3. Administrative expenses	(2,500)	(2,000)	(4,500)
4. Amount transferred to employer reserves during 2011	(128,454)	(3,010,403)	(3,138,857)
5. Side account earnings during 2011	(296,988)	879,255	582,267
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***	**$5,572,058**	**$29,776,449**	**$35,348,507**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$26,076,666	$27,942,209
Side Account 2	3,699,783	3,967,389
Side Account 3	5,572,058	0
Total	**$35,348,507**	**$31,909,597**

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, 2011	December 31, 2010
1. Total side account	$35,348,507	$31,909,597
2. Combined valuation payroll	30,407,092	29,575,052
3. Amortization factor	11.783	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.88%)	(8.90%)

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

Brief Summary of 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.

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September 28, 2012

Creswell School District #40/3502
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Creswell School District #40/3502

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.

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

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

SCHOOL DISTRICT POOL

Creswell School District #40 -- #3502

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Creswell School District #40 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Creswell School District #40.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Creswell School District #40

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(3.98%)	(3.98%)	(3.98%)
Net pension contribution rate	**22.12%**	**20.22%**	**22.95%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.71%**	**20.71%**	**23.44%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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**
July 1, 2011 to June 30, 2013	15.13%	13.71%	16.42%
July 1, 2013 to June 30, 2015	22.12%	20.22%	22.95%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Creswell School District #40

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$14,196,237	$12,333,012
Allocated pooled OPSRP UAL	96,273	77,503
Side account	2,610,693	2,802,314
Net unfunded pension actuarial accrued liability	11,681,817	9,608,201
Combined valuation payroll	5,642,392	6,242,043
Net pension UAL as a percentage of payroll	207%	154%
Calculated Side Account Rate Relief	(3.98%)	(3.70%)
Allocated Pooled RHIA UAL	$146,169	$224,579

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$2,802,314**	**$2,802,314**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(266,739)	(266,739)
5. Side account earnings during 2011		76,119	76,119
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,610,693**	**$2,610,693**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,610,693	$2,802,314
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,610,693**	**$2,802,314**

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, 2011	December 31, 2010
1. Total side account	$2,610,693	$2,802,314
2. Combined valuation payroll	5,642,392	6,242,043
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.98%)	(3.70%)

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

Brief Summary of 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.

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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.

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September 28, 2012

Crook County School District/3274
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Crook County School District/3274

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.

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

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

SCHOOL DISTRICT POOL

Crook County School District -- #3274

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Crook County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Crook County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(18.00%)	(18.00%)	(18.00%)
Net pension contribution rate	**8.10%**	**6.20%**	**8.93%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.69%**	**6.69%**	**9.42%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.98%	0.56%	3.27%
July 1, 2013 to June 30, 2015	8.10%	6.20%	8.93%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Crook County School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$31,686,807	$25,212,097
Allocated pooled OPSRP UAL	214,886	158,437
Side account	26,348,952	27,579,094
Net unfunded pension actuarial accrued liability	5,552,741	(2,208,560)
Combined valuation payroll	12,594,139	12,760,467
Net pension UAL as a percentage of payroll	44%	(17%)
Calculated Side Account Rate Relief	(18.00%)	(17.81%)
Allocated Pooled RHIA UAL	$326,258	$459,101

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$27,579,094**	**$27,579,094**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,953,340)	(1,953,340)
5. Side account earnings during 2011		725,198	725,198
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$26,348,952**	**$26,348,952**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,490,969	$12,037,638
Side Account 2	14,857,982	15,541,455
Side Account 3	0	0
Total	**$26,348,952**	**$27,579,094**

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, 2011	December 31, 2010
1. Total side account	$26,348,952	$27,579,094
2. Combined valuation payroll	12,594,139	12,760,467
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(18.00%)	(17.81%)

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

Brief Summary of 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.

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September 28, 2012

David Douglas School Dist/3843
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.

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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:

- 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 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
David Douglas School Dist/3843

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.

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

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

SCHOOL DISTRICT POOL

David Douglas School Dist -- #3843

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for David Douglas School Dist to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to David Douglas School Dist.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for David Douglas School Dist

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(3.17%)	(3.17%)	(3.17%)
Net pension contribution rate	**22.93%**	**21.03%**	**23.76%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**23.52%**	**21.52%**	**24.25%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	15.83%	14.41%	17.12%
July 1, 2013 to June 30, 2015	22.93%	21.03%	23.76%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

David Douglas School Dist

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$149,601,061	$126,690,295
Allocated pooled OPSRP UAL	1,014,528	796,143
Side account	21,885,731	24,041,383
Net unfunded pension actuarial accrued liability	128,729,858	103,445,055
Combined valuation payroll	59,459,969	64,121,098
Net pension UAL as a percentage of payroll	217%	161%
Calculated Side Account Rate Relief	(3.17%)	(3.09%)
Allocated Pooled RHIA UAL	$1,540,340	$2,306,976

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$24,041,383**	**$24,041,383**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,828,211)	(2,828,211)
5. Side account earnings during 2011		673,560	673,560
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$21,885,731**	**$21,885,731**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$21,885,731	$24,041,383
Side Account 2	0	0
Side Account 3	0	0
Total	**$21,885,731**	**$24,041,383**

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, 2011	December 31, 2010
1. Total side account	$21,885,731	$24,041,383
2. Combined valuation payroll	59,459,969	64,121,098
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.17%)	(3.09%)

[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 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.

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September 28, 2012

Dayton Public Schools/4291
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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,
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Milliman

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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.

September 28, 2012
Dayton Public Schools/4291

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Dayton Public Schools -- #4291

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Dayton Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Dayton Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Dayton Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.44%)	(13.44%)	(13.44%)
Net pension contribution rate	**12.66%**	**10.76%**	**13.49%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.25%**	**11.25%**	**13.98%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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**
July 1, 2011 to June 30, 2013	5.96%	4.54%	7.25%
July 1, 2013 to June 30, 2015	12.66%	10.76%	13.49%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Dayton Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$12,518,418	$9,829,045
Allocated pooled OPSRP UAL	84,894	61,767
Side account	7,774,953	8,280,330
Net unfunded pension actuarial accrued liability	4,828,359	1,610,482
Combined valuation payroll	4,975,531	4,974,723
Net pension UAL as a percentage of payroll	97%	32%
Calculated Side Account Rate Relief	(13.44%)	(13.72%)
Allocated Pooled RHIA UAL	$128,894	$178,983

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$8,280,330**	**$8,280,330**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(724,875)	(724,875)
5. Side account earnings during 2011		221,498	221,498
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,774,953**	**$7,774,953**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,299,323	$3,524,727
Side Account 2	4,475,630	4,755,604
Side Account 3	0	0
Total	**$7,774,953**	**$8,280,330**

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, 2011	December 31, 2010
1. Total side account	$7,774,953	$8,280,330
2. Combined valuation payroll	4,975,531	4,974,723
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.44%)	(13.72%)

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

Brief Summary of 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.

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September 28, 2012

Douglas Education Service District/4237
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Douglas Education Service District/4237

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.

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

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

SCHOOL DISTRICT POOL

Douglas Education Service District -- #4237

SEPTEMBER 2012

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Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Douglas Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.13%)	(4.13%)	(4.13%)
Net pension contribution rate	**21.97%**	**20.07%**	**22.80%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.56%**	**20.56%**	**23.29%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.94%	10.52%	13.23%
July 1, 2013 to June 30, 2015	21.97%	20.07%	22.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Douglas Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$21,616,761	$17,264,225
Allocated pooled OPSRP UAL	146,595	108,491
Side account	4,123,050	4,644,833
Net unfunded pension actuarial accrued liability	17,640,306	12,727,883
Combined valuation payroll	8,591,730	8,737,852
Net pension UAL as a percentage of payroll	205%	146%
Calculated Side Account Rate Relief	(4.13%)	(4.38%)
Allocated Pooled RHIA UAL	$222,573	$314,374

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$4,644,833**	**$4,644,833**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(655,009)	(655,009)
5. Side account earnings during 2011		134,226	134,226
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$4,123,050**	**$4,123,050**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$4,123,050	$4,644,833
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,123,050**	**$4,644,833**

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, 2011	December 31, 2010
1. Total side account	$4,123,050	$4,644,833
2. Combined valuation payroll	8,591,730	8,737,852
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.13%)	(4.38%)

[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 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.

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September 28, 2012

Echo School Dist/3927
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Echo School Dist/3927

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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

Echo School Dist -- #3927

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Echo School Dist to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Echo School Dist.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Echo School Dist

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.08%)	(10.08%)	(10.08%)
Net pension contribution rate	**16.02%**	**14.12%**	**16.85%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.61%**	**14.61%**	**17.34%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
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For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.12%	6.70%	9.41%
July 1, 2013 to June 30, 2015	16.02%	14.12%	16.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Echo School Dist

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$3,628,806	$2,643,694
Allocated pooled OPSRP UAL	24,609	16,613
Side account	1,689,425	1,844,417
Net unfunded pension actuarial accrued liability	1,963,990	815,890
Combined valuation payroll	1,442,294	1,338,039
Net pension UAL as a percentage of payroll	136%	61%
Calculated Side Account Rate Relief	(10.08%)	(11.36%)
Allocated Pooled RHIA UAL	$37,363	$48,141

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$1,844,417**	**$1,844,417**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(205,401)	(205,401)
5. Side account earnings during 2011		51,409	51,409
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,689,425**	**$1,689,425**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,689,425	$1,844,417
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,689,425**	**$1,844,417**

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, 2011	December 31, 2010
1. Total side account	$1,689,425	$1,844,417
2. Combined valuation payroll	1,442,294	1,338,039
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.08%)	(11.36%)

[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 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.

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September 28, 2012

Estacada School District #108/4323
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Estacada School District #108/4323

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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

Estacada School District #108 -- #4323

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Estacada School District #108 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Estacada School District #108.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Estacada School District #108

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.47%)	(8.47%)	(8.47%)
Net pension contribution rate	**17.63%**	**15.73%**	**18.46%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.22%**	**16.22%**	**18.95%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.12%	9.70%	12.41%
July 1, 2013 to June 30, 2015	17.63%	15.73%	18.46%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Estacada School District #108

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$25,928,698	$21,315,516
Allocated pooled OPSRP UAL	175,837	133,950
Side account	10,145,174	10,883,852
Net unfunded pension actuarial accrued liability	15,959,361	10,565,614
Combined valuation payroll	10,305,539	10,788,311
Net pension UAL as a percentage of payroll	155%	98%
Calculated Side Account Rate Relief	(8.47%)	(8.31%)
Allocated Pooled RHIA UAL	$266,970	$388,146

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
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▪ Average Valuation Payroll	$49,000	$47,655
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▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$10,883,852**	**$10,883,852**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,036,916)	(1,036,916)
5. Side account earnings during 2011		299,237	299,237
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,145,174**	**$10,145,174**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$10,145,174	$10,883,852
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,145,174**	**$10,883,852**

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, 2011	December 31, 2010
1. Total side account	$10,145,174	$10,883,852
2. Combined valuation payroll	10,305,539	10,788,311
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(8.47%)	(8.31%)

[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 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.

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September 28, 2012

Eugene School District 4J/3473
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Eugene School District 4J/3473

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.

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

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

SCHOOL DISTRICT POOL

Eugene School District 4J -- #3473

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Eugene School District 4J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Eugene School District 4J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Eugene School District 4J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.55%)	(4.55%)	(4.55%)
Net pension contribution rate	**21.55%**	**19.65%**	**22.38%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.14%**	**20.14%**	**22.87%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	14.92%	13.50%	16.21%
July 1, 2013 to June 30, 2015	21.55%	19.65%	22.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Eugene School District 4J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$205,928,237	$176,418,376
Allocated pooled OPSRP UAL	1,396,514	1,108,642
Side account	43,299,428	46,402,309
Net unfunded pension actuarial accrued liability	164,025,323	131,124,709
Combined valuation payroll	81,847,592	89,289,712
Net pension UAL as a percentage of payroll	200%	147%
Calculated Side Account Rate Relief	(4.55%)	(4.28%)
Allocated Pooled RHIA UAL	$2,120,303	$3,212,503

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$46,402,309**	**$46,402,309**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(4,337,966)	(4,337,966)
5. Side account earnings during 2011		1,236,084	1,236,084
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$43,299,428**	**$43,299,428**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$43,299,428	$46,402,309
Side Account 2	0	0
Side Account 3	0	0
Total	**$43,299,428**	**$46,402,309**

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, 2011	December 31, 2010
1. Total side account	$43,299,428	$46,402,309
2. Combined valuation payroll	81,847,592	89,289,712
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(4.55%)	(4.28%)

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

Brief Summary of 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.

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September 28, 2012

Falls City School District/3887
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Falls City School District/3887

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.

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

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

SCHOOL DISTRICT POOL

Falls City School District -- #3887

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Falls City School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Falls City School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Falls City School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(19.29%)	(19.29%)	(19.29%)
Net pension contribution rate	**6.81%**	**4.91%**	**7.64%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**7.40%**	**5.40%**	**8.13%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	3.78%	2.36%	5.07%
July 1, 2013 to June 30, 2015	6.81%	4.91%	7.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Falls City School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$2,237,415	$1,887,874
Allocated pooled OPSRP UAL	15,173	11,864
Side account	1,994,741	2,030,953
Net unfunded pension actuarial accrued liability	257,847	(131,215)
Combined valuation payroll	889,276	955,500
Net pension UAL as a percentage of payroll	29%	(14%)
Calculated Side Account Rate Relief	(19.29%)	(17.52%)
Allocated Pooled RHIA UAL	$23,037	$34,377

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$2,030,953**	**$2,030,953**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(87,701)	(87,701)
5. Side account earnings during 2011		52,488	52,488
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,994,741**	**$1,994,741**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,994,741	$2,030,953
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,994,741**	**$2,030,953**

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, 2011	December 31, 2010
1. Total side account	$1,994,741	$2,030,953
2. Combined valuation payroll	889,276	955,500
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(19.29%)	(17.52%)

[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 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.

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September 28, 2012

Fern Ridge School District/3494
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Fern Ridge School District/3494

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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott Preppernau
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

SCHOOL DISTRICT POOL

Fern Ridge School District -- #3494

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Fern Ridge School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Fern Ridge School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Fern Ridge School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.44%)	(10.44%)	(10.44%)
Net pension contribution rate	**15.66%**	**13.76%**	**16.49%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.25%**	**14.25%**	**16.98%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.94%	7.52%	10.23%
July 1, 2013 to June 30, 2015	15.66%	13.76%	16.49%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Fern Ridge School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$14,667,956	$11,839,906
Allocated pooled OPSRP UAL	99,472	74,404
Side account	7,077,268	7,599,459
Net unfunded pension actuarial accrued liability	7,690,160	4,314,851
Combined valuation payroll	5,829,880	5,992,470
Net pension UAL as a percentage of payroll	132%	72%
Calculated Side Account Rate Relief	(10.44%)	(10.45%)
Allocated Pooled RHIA UAL	$151,026	$215,600

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$7,599,459**	**$7,599,459**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(727,991)	(727,991)
5. Side account earnings during 2011		206,799	206,799
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,077,268**	**$7,077,268**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,077,268	$7,599,459
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,077,268**	**$7,599,459**

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, 2011	December 31, 2010
1. Total side account	$7,077,268	$7,599,459
2. Combined valuation payroll	5,829,880	5,992,470
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(10.44%)	(10.45%)

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 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.

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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.

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September 28, 2012

Forest Grove School District/4313
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
Forest Grove School District/4313

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.

September 28, 2012
Forest Grove School District/4313

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.

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

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

SCHOOL DISTRICT POOL

Forest Grove School District -- #4313

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Forest Grove School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Forest Grove School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Forest Grove School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.89%)	(6.89%)	(6.89%)
Net pension contribution rate	**19.21%**	**17.31%**	**20.04%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.80%**	**17.80%**	**20.53%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.49%	11.07%	13.78%
July 1, 2013 to June 30, 2015	19.21%	17.31%	20.04%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Forest Grove School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$70,472,872	$63,204,554
Allocated pooled OPSRP UAL	477,916	397,188
Side account	22,448,005	24,119,073
Net unfunded pension actuarial accrued liability	48,502,783	39,482,669
Combined valuation payroll	28,009,927	31,989,391
Net pension UAL as a percentage of payroll	173%	123%
Calculated Side Account Rate Relief	(6.89%)	(6.21%)
Allocated Pooled RHIA UAL	$725,611	$1,150,928

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$24,119,073**	**$24,119,073**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,317,033)	(2,317,033)
5. Side account earnings during 2011		646,965	646,965
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$22,448,005**	**$22,448,005**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$22,448,005	$24,119,073
Side Account 2	0	0
Side Account 3	0	0
Total	**$22,448,005**	**$24,119,073**

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, 2011	December 31, 2010
1. Total side account	$22,448,005	$24,119,073
2. Combined valuation payroll	28,009,927	31,989,391
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.89%)	(6.21%)

[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 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.

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September 28, 2012

Gaston Public Schools/4034
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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,
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- 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 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
Gaston Public Schools/4034

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Gaston Public Schools -- #4034

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Gaston Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gaston Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Gaston Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	**General Service**	**Police & Fire**
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(17.06%)	(17.06%)	(17.06%)
Net pension contribution rate	**9.04%**	**7.14%**	**9.87%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.63%**	**7.63%**	**10.36%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	5.24%	3.82%	6.53%
July 1, 2013 to June 30, 2015	9.04%	7.14%	9.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Gaston Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$5,669,430	$5,378,296
Allocated pooled OPSRP UAL	38,448	33,798
Side account	4,468,424	4,690,764
Net unfunded pension actuarial accrued liability	1,239,454	721,330
Combined valuation payroll	2,253,354	2,722,089
Net pension UAL as a percentage of payroll	55%	27%
Calculated Side Account Rate Relief	(17.06%)	(14.20%)
Allocated Pooled RHIA UAL	$58,374	$97,936

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$4,690,764**	**$4,690,764**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(346,559)	(346,559)
5. Side account earnings during 2011		126,218	126,218
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$4,468,424**	**$4,468,424**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,930,562	$2,034,912
Side Account 2	2,537,862	2,655,852
Side Account 3	0	0
Total	**$4,468,424**	**$4,690,764**

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, 2011	December 31, 2010
1. Total side account	$4,468,424	$4,690,764
2. Combined valuation payroll	2,253,354	2,722,089
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(17.06%)	(14.20%)

[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 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.

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September 28, 2012

Gervais School District #1/4329
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Gervais School District #1/4329

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Gervais School District #1 -- #4329

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gervais School District #1.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Gervais School District #1

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(15.40%)	(15.40%)	(15.40%)
Net pension contribution rate	**10.70%**	**8.80%**	**11.53%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**11.29%**	**9.29%**	**12.02%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	4.29%	2.87%	5.58%
July 1, 2013 to June 30, 2015	10.70%	8.80%	11.53%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Gervais School District #1

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$14,540,418	$11,830,023
Allocated pooled OPSRP UAL	98,607	74,342
Side account	10,349,217	10,960,206
Net unfunded pension actuarial accrued liability	4,289,808	944,159
Combined valuation payroll	5,779,189	5,987,468
Net pension UAL as a percentage of payroll	74%	16%
Calculated Side Account Rate Relief	(15.40%)	(15.09%)
Allocated Pooled RHIA UAL	$149,713	$215,420

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$10,960,206**	**$10,960,206**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(902,497)	(902,497)
5. Side account earnings during 2011		292,508	292,508
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,349,217**	**$10,349,217**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$10,349,217	$10,960,206
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,349,217**	**$10,960,206**

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, 2011	December 31, 2010
1. Total side account	$10,349,217	$10,960,206
2. Combined valuation payroll	5,779,189	5,987,468
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(15.40%)	(15.09%)

[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 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.

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September 28, 2012

Gladstone School District #115/3160
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Gladstone School District #115/3160

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

Gladstone School District #115 -- #3160

SEPTEMBER 2012

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Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
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- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gladstone School District #115.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Gladstone School District #115

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(20.50%)	(20.50%)	(20.50%)
Net pension contribution rate	**5.60%**	**3.70%**	**6.43%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**6.19%**	**4.19%**	**6.92%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.23%	0.00%	2.52%
July 1, 2013 to June 30, 2015	5.60%	3.70%	6.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Gladstone School District #115

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$20,167,499	$16,675,712
Allocated pooled OPSRP UAL	136,767	104,793
Side account	19,103,140	19,828,861
Net unfunded pension actuarial accrued liability	1,201,126	(3,048,356)
Combined valuation payroll	8,015,711	8,439,991
Net pension UAL as a percentage of payroll	15%	(36%)
Calculated Side Account Rate Relief	(20.50%)	(19.36%)
Allocated Pooled RHIA UAL	$207,651	$303,658

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$19,828,861**	**$19,828,861**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,246,819)	(1,246,819)
5. Side account earnings during 2011		522,099	522,099
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$19,103,140**	**$19,103,140**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$19,103,140	$19,828,861
Side Account 2	0	0
Side Account 3	0	0
Total	**$19,103,140**	**$19,828,861**

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, 2011	December 31, 2010
1. Total side account	$19,103,140	$19,828,861
2. Combined valuation payroll	8,015,711	8,439,991
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(20.50%)	(19.36%)

[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 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.

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September 28, 2012

Glide School District #12/3316
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Glide School District #12/3316

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA	Scott D. Preppernau, FSA, EA
Consulting Actuary	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

SCHOOL DISTRICT POOL

Glide School District #12 -- #3316

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Glide School District #12.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Glide School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.37%)	(8.37%)	(8.37%)
Net pension contribution rate	**17.73%**	**15.83%**	**18.56%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.32%**	**16.32%**	**19.05%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
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Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.89%	10.47%	13.18%
July 1, 2013 to June 30, 2015	17.73%	15.83%	18.56%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Glide School District #12

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$8,531,406	$7,039,462
Allocated pooled OPSRP UAL	57,856	44,237
Side account	3,301,273	3,482,238
Net unfunded pension actuarial accrued liability	5,287,989	3,601,461
Combined valuation payroll	3,390,866	3,562,846
Net pension UAL as a percentage of payroll	156%	101%
Calculated Side Account Rate Relief	(8.37%)	(8.05%)
Allocated Pooled RHIA UAL	$87,842	$128,186

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$3,482,238**	**$3,482,238**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(273,170)	(273,170)
5. Side account earnings during 2011		93,205	93,205
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,301,273**	**$3,301,273**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,301,273	$3,482,238
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,301,273**	**$3,482,238**

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, 2011	December 31, 2010
1. Total side account	$3,301,273	$3,482,238
2. Combined valuation payroll	3,390,866	3,562,846
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.37%)	(8.05%)

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

Brief Summary of 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.

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September 28, 2012

Greater Albany School District #8J/4260
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Greater Albany School District #8J/4260

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

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

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

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

September 28, 2012
Greater Albany School District #8J/4260

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Greater Albany School District #8J -- #4260

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Greater Albany School District #8J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Greater Albany School District #8J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(7.85%)	(7.85%)	(7.85%)
Net pension contribution rate	**18.25%**	**16.35%**	**19.08%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.84%**	**16.84%**	**19.57%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.20%	9.78%	12.49%
July 1, 2013 to June 30, 2015	18.25%	16.35%	19.08%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

Executive Summary

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District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Greater Albany School District #8J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$98,770,821	$83,010,978
Allocated pooled OPSRP UAL	669,820	521,655
Side account	35,846,918	38,609,666
Net unfunded pension actuarial accrued liability	63,593,723	44,922,967
Combined valuation payroll	39,257,141	42,013,913
Net pension UAL as a percentage of payroll	162%	107%
Calculated Side Account Rate Relief	(7.85%)	(7.57%)
Allocated Pooled RHIA UAL	$1,016,976	$1,511,594

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
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▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$38,609,666**	**$38,609,666**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(3,831,987)	(3,831,987)
5. Side account earnings during 2011		1,070,238	1,070,238
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$35,846,918**	**$35,846,918**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$35,846,918	$38,609,666
Side Account 2	0	0
Side Account 3	0	0
Total	**$35,846,918**	**$38,609,666**

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, 2011	December 31, 2010
1. Total side account	$35,846,918	$38,609,666
2. Combined valuation payroll	39,257,141	42,013,913
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(7.85%)	(7.57%)

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

Brief Summary of 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.

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September 28, 2012

Gresham-Barlow School District #10/4332
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Gresham-Barlow School District #10/4332

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.

September 28, 2012
Gresham-Barlow School District #10/4332

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Gresham-Barlow School District #10 -- #4332

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Gresham-Barlow School District #10.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Gresham-Barlow School District #10

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.56%)	(10.56%)	(10.56%)
Net pension contribution rate	**15.54%**	**13.64%**	**16.37%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.13%**	**14.13%**	**16.86%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	9.21%	7.79%	10.50%
July 1, 2013 to June 30, 2015	15.54%	13.64%	16.37%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Gresham-Barlow School District #10

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$132,314,946	$109,388,137
Allocated pooled OPSRP UAL	897,301	687,413
Side account	64,564,676	68,074,086
Net unfunded pension actuarial accrued liability	68,647,571	42,001,464
Combined valuation payroll	52,589,484	55,364,047
Net pension UAL as a percentage of payroll	131%	76%
Calculated Side Account Rate Relief	(10.56%)	(10.14%)
Allocated Pooled RHIA UAL	$1,362,357	$1,991,911

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$68,074,086**	**$68,074,086**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(5,374,012)	(5,374,012)
5. Side account earnings during 2011		1,866,601	1,866,601
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$64,564,676**	**$64,564,676**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$38,145,676	$40,219,393
Side Account 2	26,419,000	27,854,693
Side Account 3	0	0
Total	**$64,564,676**	**$68,074,086**

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, 2011	December 31, 2010
1. Total side account	$64,564,676	$68,074,086
2. Combined valuation payroll	52,589,484	55,364,047
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.56%)	(10.14%)

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

Brief Summary of 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.

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September 28, 2012

Harney County School District #3/4326
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Harney County School District #3/4326

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Harney County School District #3 -- #4326

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Harney County School District #3.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Harney County School District #3

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(24.25%)	(24.25%)	(24.25%)
Net pension contribution rate	**1.85%**	**0.00%**	**2.68%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**2.44%**	**0.49%**	**3.17%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	1.85%	0.00%	2.68%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Harney County School District #3

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$11,761,294	$9,673,559
Allocated pooled OPSRP UAL	79,760	60,790
Side account	13,177,634	13,558,119
Net unfunded pension actuarial accrued liability	(1,336,580)	(3,823,770)
Combined valuation payroll	4,674,607	4,896,028
Net pension UAL as a percentage of payroll	(29%)	(78%)
Calculated Side Account Rate Relief	(24.25%)	(22.82%)
Allocated Pooled RHIA UAL	$121,098	$176,151

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$13,558,119**	**$13,558,119**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(730,637)	(730,637)
5. Side account earnings during 2011		352,151	352,151
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$13,177,634**	**$13,177,634**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,774,733	$5,948,081
Side Account 2	7,402,900	7,610,038
Side Account 3	0	0
Total	**$13,177,634**	**$13,558,119**

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, 2011	December 31, 2010
1. Total side account	$13,177,634	$13,558,119
2. Combined valuation payroll	4,674,607	4,896,028
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(24.25%)	(22.82%)

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

Brief Summary of 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.

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September 28, 2012

Hermiston School District #8R/4258
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Hermiston School District #8R/4258

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Hermiston School District #8R/4258

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA	Scott D. Preppernau, FSA, EA
Consulting Actuary	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

SCHOOL DISTRICT POOL

Hermiston School District #8R -- #4258

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hermiston School District #8R.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Hermiston School District #8R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.15%)	(9.15%)	(9.15%)
Net pension contribution rate	**16.95%**	**15.05%**	**17.78%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.54%**	**15.54%**	**18.27%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.28%	8.86%	11.57%
July 1, 2013 to June 30, 2015	16.95%	15.05%	17.78%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Hermiston School District #8R

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$48,367,052	$39,602,671
Allocated pooled OPSRP UAL	328,004	248,870
Side account	20,443,535	21,802,870
Net unfunded pension actuarial accrued liability	28,251,521	18,048,671
Combined valuation payroll	19,223,817	20,043,893
Net pension UAL as a percentage of payroll	147%	90%
Calculated Side Account Rate Relief	(9.15%)	(8.97%)
Allocated Pooled RHIA UAL	$498,003	$721,148

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$21,802,870**	**$21,802,870**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,954,042)	(1,954,042)
5. Side account earnings during 2011		596,706	596,706
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$20,443,535**	**$20,443,535**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$13,424,375	$14,315,233
Side Account 2	7,019,160	7,487,637
Side Account 3	0	0
Total	**$20,443,535**	**$21,802,870**

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, 2011	December 31, 2010
1. Total side account	$20,443,535	$21,802,870
2. Combined valuation payroll	19,223,817	20,043,893
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.15%)	(8.97%)

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

Brief Summary of 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.

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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.

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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.

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September 28, 2012

High Desert Education Service District/4252
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
High Desert Education Service District/4252

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

High Desert Education Service District -- #4252

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to High Desert Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for High Desert Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.77%)	(6.77%)	(6.77%)
Net pension contribution rate	**19.33%**	**17.43%**	**20.16%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.92%**	**17.92%**	**20.65%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.31%	10.89%	13.60%
July 1, 2013 to June 30, 2015	19.33%	17.43%	20.16%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

High Desert Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$29,950,729	$25,023,742
Allocated pooled OPSRP UAL	203,113	157,253
Side account	9,372,360	10,325,703
Net unfunded pension actuarial accrued liability	20,781,482	14,855,292
Combined valuation payroll	11,904,123	12,665,136
Net pension UAL as a percentage of payroll	175%	117%
Calculated Side Account Rate Relief	(6.77%)	(6.72%)
Allocated Pooled RHIA UAL	$308,382	$455,672

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$10,325,703**	**$10,325,703**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,234,077)	(1,234,077)
5. Side account earnings during 2011		281,734	281,734
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$9,372,360**	**$9,372,360**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$9,372,360	$10,325,703
Side Account 2	0	0
Side Account 3	0	0
Total	**$9,372,360**	**$10,325,703**

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, 2011	December 31, 2010
1. Total side account	$9,372,360	$10,325,703
2. Combined valuation payroll	11,904,123	12,665,136
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.77%)	(6.72%)

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

Brief Summary of 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.

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September 28, 2012

Hillsboro School District #1J/4341
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Hillsboro School District #1J/4341

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

Hillsboro School District #1J -- #4341

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hillsboro School District #1J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Hillsboro School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.96%)	(6.96%)	(6.96%)
Net pension contribution rate	**19.14%**	**17.24%**	**19.97%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.73%**	**17.73%**	**20.46%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.12%	10.70%	13.41%
July 1, 2013 to June 30, 2015	19.14%	17.24%	19.97%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Hillsboro School District #1J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$245,021,471	$204,915,343
Allocated pooled OPSRP UAL	1,661,627	1,287,722
Side account	78,806,336	85,187,199
Net unfunded pension actuarial accrued liability	167,876,762	121,015,866
Combined valuation payroll	97,385,466	103,712,733
Net pension UAL as a percentage of payroll	172%	117%
Calculated Side Account Rate Relief	(6.96%)	(6.77%)
Allocated Pooled RHIA UAL	$2,522,820	$3,731,420

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$85,187,199**	**$85,187,199**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(8,728,869)	(8,728,869)
5. Side account earnings during 2011		2,349,006	2,349,006
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$78,806,336**	**$78,806,336**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$78,806,336	$85,187,199
Side Account 2	0	0
Side Account 3	0	0
Total	**$78,806,336**	**$85,187,199**

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, 2011	December 31, 2010
1. Total side account	$78,806,336	$85,187,199
2. Combined valuation payroll	97,385,466	103,712,733
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(6.96%)	(6.77%)

[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 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.

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September 28, 2012

Hood River County School District/3409
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

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

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

September 28, 2012
Hood River County School District/3409

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Hood River County School District -- #3409

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Hood River County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Hood River County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.50%)	(8.50%)	(8.50%)
Net pension contribution rate	**17.60%**	**15.70%**	**18.43%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.19%**	**16.19%**	**18.92%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.55%	9.13%	11.84%
July 1, 2013 to June 30, 2015	17.60%	15.70%	18.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Hood River County School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$58,754,315	$46,952,690
Allocated pooled OPSRP UAL	398,446	295,059
Side account	23,058,556	24,608,927
Net unfunded pension actuarial accrued liability	36,094,205	22,638,822
Combined valuation payroll	23,352,306	23,763,920
Net pension UAL as a percentage of payroll	155%	95%
Calculated Side Account Rate Relief	(8.50%)	(8.53%)
Allocated Pooled RHIA UAL	$604,953	$854,988

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$24,608,927**	**$24,608,927**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,218,948)	(2,218,948)
5. Side account earnings during 2011		670,578	670,578
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$23,058,556**	**$23,058,556**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$14,596,966	$15,577,674
Side Account 2	8,461,590	9,031,253
Side Account 3	0	0
Total	**$23,058,556**	**$24,608,927**

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, 2011	December 31, 2010
1. Total side account	$23,058,556	$24,608,927
2. Combined valuation payroll	23,352,306	23,763,920
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.50%)	(8.53%)

[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 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.

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September 28, 2012

InterMountain Education Service District/4223
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
InterMountain Education Service District/4223

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

InterMountain Education Service District -- #4223

SEPTEMBER 2012

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Executive Summary

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This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to InterMountain Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for InterMountain Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.21%)	(8.21%)	(8.21%)
Net pension contribution rate	**17.89%**	**15.99%**	**18.72%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.48%**	**16.48%**	**19.21%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.33%	10.91%	13.62%
July 1, 2013 to June 30, 2015	17.89%	15.99%	18.72%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

InterMountain Education Service District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$26,558,967	$22,426,254
Allocated pooled OPSRP UAL	180,111	140,930
Side account	10,079,852	10,329,596
Net unfunded pension actuarial accrued liability	16,659,226	12,237,588
Combined valuation payroll	10,556,044	11,350,483
Net pension UAL as a percentage of payroll	158%	108%
Calculated Side Account Rate Relief	(8.21%)	(7.50%)
Allocated Pooled RHIA UAL	$273,460	$408,372

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$10,329,596**	**$10,329,596**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(512,558)	(512,558)
5. Side account earnings during 2011		264,815	264,815
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,079,852**	**$10,079,852**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,822,023	$5,759,976
Side Account 2	4,257,829	4,569,620
Side Account 3	0	0
Total	**$10,079,852**	**$10,329,596**

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, 2011	December 31, 2010
1. Total side account	$10,079,852	$10,329,596
2. Combined valuation payroll	10,556,044	11,350,483
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.21%)	(7.50%)

[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 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.

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September 28, 2012

Jefferson School District #14Cj/3729
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Jefferson School District #14Cj/3729

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Jefferson School District #14Cj -- #3729

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Jefferson School District #14Cj.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Jefferson School District #14Cj

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(14.38%)	(14.38%)	(14.38%)
Net pension contribution rate	**11.72%**	**9.82%**	**12.55%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.31%**	**10.31%**	**13.04%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.13%	4.71%	7.42%
July 1, 2013 to June 30, 2015	11.72%	9.82%	12.55%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Jefferson School District #14Cj

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$10,810,896	$9,546,174
Allocated pooled OPSRP UAL	73,315	59,990
Side account	7,185,873	7,651,144
Net unfunded pension actuarial accrued liability	3,698,338	1,955,020
Combined valuation payroll	4,296,865	4,831,555
Net pension UAL as a percentage of payroll	86%	40%
Calculated Side Account Rate Relief	(14.38%)	(13.05%)
Allocated Pooled RHIA UAL	$111,312	$173,832

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$7,651,144**	**$7,651,144**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(669,435)	(669,435)
5. Side account earnings during 2011		205,164	205,164
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,185,873**	**$7,185,873**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,185,873	$7,651,144
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,185,873**	**$7,651,144**

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, 2011	December 31, 2010
1. Total side account	$7,185,873	$7,651,144
2. Combined valuation payroll	4,296,865	4,831,555
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.38%)	(13.05%)

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

Brief Summary of 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.

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September 28, 2012

John Day School District/4315
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
John Day School District/4315

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

John Day School District -- #4315

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to John Day School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for John Day School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.12%)	(9.12%)	(9.12%)
Net pension contribution rate	**16.98%**	**15.08%**	**17.81%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.57%**	**15.57%**	**18.30%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.59%	9.17%	11.88%
July 1, 2013 to June 30, 2015	16.98%	15.08%	17.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

John Day School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$9,432,596	$7,993,288
Allocated pooled OPSRP UAL	63,968	50,231
Side account	3,974,526	4,247,389
Net unfunded pension actuarial accrued liability	5,522,038	3,796,130
Combined valuation payroll	3,749,050	4,045,601
Net pension UAL as a percentage of payroll	147%	94%
Calculated Side Account Rate Relief	(9.12%)	(8.65%)
Allocated Pooled RHIA UAL	$97,121	$145,554

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$4,247,389**	**$4,247,389**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(386,983)	(386,983)
5. Side account earnings during 2011		115,120	115,120
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,974,526**	**$3,974,526**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,974,526	$4,247,389
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,974,526**	**$4,247,389**

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, 2011	December 31, 2010
1. Total side account	$3,974,526	$4,247,389
2. Combined valuation payroll	3,749,050	4,045,601
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.12%)	(8.65%)

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

Brief Summary of 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.

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September 28, 2012

La Grande Public Schools/3965
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
La Grande Public Schools/3965

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

La Grande Public Schools -- #3965

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to La Grande Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for La Grande Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.90%)	(9.90%)	(9.90%)
Net pension contribution rate	**16.20%**	**14.30%**	**17.03%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.79%**	**14.79%**	**17.52%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	9.83%	8.41%	11.12%
July 1, 2013 to June 30, 2015	16.20%	14.30%	17.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

La Grande Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$22,346,385	$18,239,854
Allocated pooled OPSRP UAL	151,543	114,622
Side account	10,225,989	10,880,449
Net unfunded pension actuarial accrued liability	12,271,939	7,474,027
Combined valuation payroll	8,881,724	9,231,642
Net pension UAL as a percentage of payroll	138%	81%
Calculated Side Account Rate Relief	(9.90%)	(9.71%)
Allocated Pooled RHIA UAL	$230,086	$332,140

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$10,880,449**	**$10,880,449**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(951,269)	(951,269)
5. Side account earnings during 2011		298,810	298,810
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,225,989**	**$10,225,989**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,131,100	$8,650,389
Side Account 2	2,094,889	2,230,060
Side Account 3	0	0
Total	**$10,225,989**	**$10,880,449**

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, 2011	December 31, 2010
1. Total side account	$10,225,989	$10,880,449
2. Combined valuation payroll	8,881,724	9,231,642
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.90%)	(9.71%)

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

Brief Summary of 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.

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September 28, 2012

Lake Oswego School District/4268
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Lake Oswego School District/4268

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lake Oswego School District -- #4268

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lake Oswego School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Lake Oswego School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(11.65%)	(11.65%)	(11.65%)
Net pension contribution rate	**14.45%**	**12.55%**	**15.28%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.04%**	**13.04%**	**15.77%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.27%	6.85%	9.56%
July 1, 2013 to June 30, 2015	14.45%	12.55%	15.28%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Lake Oswego School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$79,516,621	$67,707,799
Allocated pooled OPSRP UAL	539,247	425,487
Side account	42,806,983	46,027,384
Net unfunded pension actuarial accrued liability	37,248,885	22,105,902
Combined valuation payroll	31,604,427	34,268,595
Net pension UAL as a percentage of payroll	118%	65%
Calculated Side Account Rate Relief	(11.65%)	(11.07%)
Allocated Pooled RHIA UAL	$818,729	$1,232,930

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$46,027,384**	**$46,027,384**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(4,475,720)	(4,475,720)
5. Side account earnings during 2011		1,257,319	1,257,319
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$42,806,983**	**$42,806,983**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$25,948,886	$27,865,169
Side Account 2	16,858,097	18,162,214
Side Account 3	0	0
Total	**$42,806,983**	**$46,027,384**

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, 2011	December 31, 2010
1. Total side account	$42,806,983	$46,027,384
2. Combined valuation payroll	31,604,427	34,268,595
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.65%)	(11.07%)

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

Brief Summary of 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.

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September 28, 2012

Lane County Education Service District/4276
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

September 28, 2012
Lane County Education Service District/4276

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lane County Education Service District -- #4276

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lane County Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Lane County Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.14%)	(4.14%)	(4.14%)
Net pension contribution rate	**21.96%**	**20.06%**	**22.79%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.55%**	**20.55%**	**23.28%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	15.15%	13.73%	16.44%
July 1, 2013 to June 30, 2015	21.96%	20.06%	22.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Lane County Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$26,352,943	$23,458,472
Allocated pooled OPSRP UAL	178,714	147,417
Side account	5,039,830	5,425,002
Net unfunded pension actuarial accrued liability	21,491,827	18,180,887
Combined valuation payroll	10,474,158	11,872,914
Net pension UAL as a percentage of payroll	205%	153%
Calculated Side Account Rate Relief	(4.14%)	(3.77%)
Allocated Pooled RHIA UAL	$271,338	$427,169

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$5,425,002**	**$5,425,002**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(532,856)	(532,856)
5. Side account earnings during 2011		148,684	148,684
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$5,039,830**	**$5,039,830**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,039,830	$5,425,002
Side Account 2	0	0
Side Account 3	0	0
Total	**$5,039,830**	**$5,425,002**

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, 2011	December 31, 2010
1. Total side account	$5,039,830	$5,425,002
2. Combined valuation payroll	10,474,158	11,872,914
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.14%)	(3.77%)

[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 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

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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.

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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.

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September 28, 2012

Lincoln County School District/3579
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Lincoln County School District/3579

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Lincoln County School District -- #3579

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Lincoln County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Lincoln County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(27.83%)	(27.83%)	(27.83%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**0.59%**	**0.49%**	**0.49%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Lincoln County School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$47,416,755	$38,490,101
Allocated pooled OPSRP UAL	321,559	241,878
Side account	60,992,329	62,382,966
Net unfunded pension actuarial accrued liability	(13,254,015)	(23,650,987)
Combined valuation payroll	18,846,115	19,480,794
Net pension UAL as a percentage of payroll	(70%)	(121%)
Calculated Side Account Rate Relief	(27.83%)	(26.39%)
Allocated Pooled RHIA UAL	$488,218	$700,888

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$62,382,966**	**$62,382,966**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(3,014,065)	(3,014,065)
5. Side account earnings during 2011		1,625,429	1,625,429
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$60,992,329**	**$60,992,329**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$26,103,438	$26,786,947
Side Account 2	34,888,891	35,596,019
Side Account 3	0	0
Total	**$60,992,329**	**$62,382,966**

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, 2011	December 31, 2010
1. Total side account	$60,992,329	$62,382,966
2. Combined valuation payroll	18,846,115	19,480,794
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(27.83%)	(26.39%)

[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 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.

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September 28, 2012

Madras School District/3447
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Madras School District/3447

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Madras School District -- #3447

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Madras School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Madras School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Madras School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.79%)	(6.79%)	(6.79%)
Net pension contribution rate	**19.31%**	**17.41%**	**20.14%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.90%**	**17.90%**	**20.63%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.02%	10.60%	13.31%
July 1, 2013 to June 30, 2015	19.31%	17.41%	20.14%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Madras School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$41,006,988	$32,286,568
Allocated pooled OPSRP UAL	278,091	202,894
Side account	12,863,777	13,568,907
Net unfunded pension actuarial accrued liability	28,421,302	18,920,555
Combined valuation payroll	16,298,509	16,341,032
Net pension UAL as a percentage of payroll	174%	116%
Calculated Side Account Rate Relief	(6.79%)	(6.84%)
Allocated Pooled RHIA UAL	$422,221	$587,924

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$13,568,907**	**$13,568,907**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,075,620)	(1,075,620)
5. Side account earnings during 2011		371,490	371,490
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$12,863,777**	**$12,863,777**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$12,863,777	$13,568,907
Side Account 2	0	0
Side Account 3	0	0
Total	**$12,863,777**	**$13,568,907**

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, 2011	December 31, 2010
1. Total side account	$12,863,777	$13,568,907
2. Combined valuation payroll	16,298,509	16,341,032
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.79%)	(6.84%)

[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 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.

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September 28, 2012

McMinnville Schools/4142
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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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.

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Milliman

September 28, 2012
McMinnville Schools/4142

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
McMinnville Schools/4142

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott Preppernau

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

SCHOOL DISTRICT POOL

McMinnville Schools -- #4142

SEPTEMBER 2012

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Executive Summary

Milliman has prepared this report for McMinnville Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to McMinnville Schools.

Employer Contribution Rates

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

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(7.29%)	(7.29%)	(7.29%)
Net pension contribution rate	**18.81%**	**16.91%**	**19.64%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.40%**	**17.40%**	**20.13%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.53%	10.11%	12.82%
July 1, 2013 to June 30, 2015	18.81%	16.91%	19.64%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

McMinnville Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$79,392,789	$62,421,666
Allocated pooled OPSRP UAL	538,407	392,268
Side account	26,750,058	28,652,728
Net unfunded pension actuarial accrued liability	53,181,138	34,161,206
Combined valuation payroll	31,555,209	31,593,152
Net pension UAL as a percentage of payroll	169%	108%
Calculated Side Account Rate Relief	(7.29%)	(7.48%)
Allocated Pooled RHIA UAL	$817,454	$1,136,672

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$28,652,728**	**$28,652,728**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,692,696)	(2,692,696)
5. Side account earnings during 2011		792,025	792,025
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$26,750,058**	**$26,750,058**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$16,096,223	$17,240,656
Side Account 2	10,653,835	11,412,072
Side Account 3	0	0
Total	**$26,750,058**	**$28,652,728**

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, 2011	December 31, 2010
1. Total side account	$26,750,058	$28,652,728
2. Combined valuation payroll	31,555,209	31,593,152
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.29%)	(7.48%)

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

Brief Summary of 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.

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September 28, 2012

Medford School District #549C/4288
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Medford School District #549C/4288

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Medford School District #549C -- #4288

SEPTEMBER 2012

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Executive Summary

Milliman has prepared this report for Medford School District #549C to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Medford School District #549C.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Medford School District #549C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.63%)	(4.63%)	(4.63%)
Net pension contribution rate	**21.47%**	**19.57%**	**22.30%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.06%**	**20.06%**	**22.79%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	14.71%	13.29%	16.00%
July 1, 2013 to June 30, 2015	21.47%	19.57%	22.30%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Medford School District #549C

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$117,561,137	$98,171,741
Allocated pooled OPSRP UAL	797,248	616,928
Side account	25,171,631	27,145,373
Net unfunded pension actuarial accrued liability	93,186,754	71,643,296
Combined valuation payroll	46,725,481	49,687,151
Net pension UAL as a percentage of payroll	199%	144%
Calculated Side Account Rate Relief	(4.63%)	(4.50%)
Allocated Pooled RHIA UAL	$1,210,447	$1,787,665

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$27,145,373**	**$27,145,373**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,721,033)	(2,721,033)
5. Side account earnings during 2011		748,291	748,291
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$25,171,631**	**$25,171,631**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$25,171,631	$27,145,373
Side Account 2	0	0
Side Account 3	0	0
Total	**$25,171,631**	**$27,145,373**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$25,171,631	$27,145,373
2. Combined valuation payroll	46,725,481	49,687,151
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.63%)	(4.50%)

[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 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.

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September 28, 2012

Milton-Freewater Unified School District #7/4335
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Milton-Freewater Unified School District #7/4335

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Milton-Freewater Unified School District #7 -- #4335

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Milton-Freewater Unified School District #7 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Milton-Freewater Unified School District #7.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Milton-Freewater Unified School District #7

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.83%)	(13.83%)	(13.83%)
Net pension contribution rate	**12.27%**	**10.37%**	**13.10%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.86%**	**10.86%**	**13.59%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.24%	5.82%	8.53%
July 1, 2013 to June 30, 2015	12.27%	10.37%	13.10%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Milton-Freewater Unified School District #7

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$21,964,748	$18,445,434
Allocated pooled OPSRP UAL	148,955	115,914
Side account	14,041,497	14,937,385
Net unfunded pension actuarial accrued liability	8,072,206	3,623,963
Combined valuation payroll	8,730,040	9,335,691
Net pension UAL as a percentage of payroll	92%	39%
Calculated Side Account Rate Relief	(13.83%)	(13.18%)
Allocated Pooled RHIA UAL	$226,156	$335,883

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$14,937,385**	**$14,937,385**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,301,567)	(1,301,567)
5. Side account earnings during 2011		407,680	407,680
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$14,041,497**	**$14,041,497**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,487,154	$6,927,002
Side Account 2	7,554,343	8,010,382
Side Account 3	0	0
Total	**$14,041,497**	**$14,937,385**

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, 2011	December 31, 2010
1. Total side account	$14,041,497	$14,937,385
2. Combined valuation payroll	8,730,040	9,335,691
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.83%)	(13.18%)

[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 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.

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September 28, 2012

Molalla River School District/4331
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Molalla River School District/4331

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Molalla River School District -- #4331

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Molalla River School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Molalla River School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Molalla River School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(21.61%)	(21.61%)	(21.61%)
Net pension contribution rate	**4.49%**	**2.59%**	**5.32%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**5.08%**	**3.08%**	**5.81%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.69%
July 1, 2013 to June 30, 2015	4.49%	2.59%	5.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Molalla River School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$25,653,088	$22,929,976
Allocated pooled OPSRP UAL	173,968	144,096
Side account	25,608,219	26,507,441
Net unfunded pension actuarial accrued liability	218,837	(3,433,369)
Combined valuation payroll	10,195,996	11,605,429
Net pension UAL as a percentage of payroll	2%	(30%)
Calculated Side Account Rate Relief	(21.61%)	(18.83%)
Allocated Pooled RHIA UAL	$264,132	$417,545

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$26,507,441**	**$26,507,441**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,600,447)	(1,600,447)
5. Side account earnings during 2011		703,226	703,226
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$25,608,219**	**$25,608,219**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$10,497,893	$10,924,606
Side Account 2	15,110,327	15,582,834
Side Account 3	0	0
Total	**$25,608,219**	**$26,507,441**

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, 2011	December 31, 2010
1. Total side account	$25,608,219	$26,507,441
2. Combined valuation payroll	10,195,996	11,605,429
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.61%)	(18.83%)

[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 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.

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September 28, 2012

Monroe School District #1J/4340
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Monroe School District #1J/4340

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA	Scott D. Preppernau, FSA, EA
Consulting Actuary	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

SCHOOL DISTRICT POOL

Monroe School District #1J -- #4340

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Monroe School District #1J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Monroe School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.32%)	(6.32%)	(6.32%)
Net pension contribution rate	**19.78%**	**17.88%**	**20.61%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.37%**	**18.37%**	**21.10%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.45%	11.03%	13.74%
July 1, 2013 to June 30, 2015	19.78%	17.88%	20.61%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Monroe School District #1J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$6,042,532	$4,731,416
Allocated pooled OPSRP UAL	40,978	29,733
Side account	1,765,439	1,896,938
Net unfunded pension actuarial accrued liability	4,318,071	2,864,211
Combined valuation payroll	2,401,646	2,394,687
Net pension UAL as a percentage of payroll	180%	120%
Calculated Side Account Rate Relief	(6.32%)	(6.53%)
Allocated Pooled RHIA UAL	$62,216	$86,157

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$1,896,938**	**$1,896,938**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(182,088)	(182,088)
5. Side account earnings during 2011		51,589	51,589
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,765,439**	**$1,765,439**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,765,439	$1,896,938
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,765,439**	**$1,896,938**

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, 2011	December 31, 2010
1. Total side account	$1,765,439	$1,896,938
2. Combined valuation payroll	2,401,646	2,394,687
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.32%)	(6.53%)

[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 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.

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September 28, 2012

Morrow County Schools/3809
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Morrow County Schools/3809

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Morrow County Schools -- #3809

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Morrow County Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Morrow County Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Morrow County Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.85%)	(6.85%)	(6.85%)
Net pension contribution rate	**19.25%**	**17.35%**	**20.08%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.84%**	**17.84%**	**20.57%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.53%	11.11%	13.82%
July 1, 2013 to June 30, 2015	19.25%	17.35%	20.08%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Morrow County Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$24,933,747	$20,852,806
Allocated pooled OPSRP UAL	169,090	131,043
Side account	7,893,402	8,415,270
Net unfunded pension actuarial accrued liability	17,209,435	12,568,579
Combined valuation payroll	9,910,089	10,554,122
Net pension UAL as a percentage of payroll	174%	119%
Calculated Side Account Rate Relief	(6.85%)	(6.57%)
Allocated Pooled RHIA UAL	$256,726	$379,721

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$8,415,270**	**$8,415,270**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(748,486)	(748,486)
5. Side account earnings during 2011		227,618	227,618
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,893,402**	**$7,893,402**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,893,402	$8,415,270
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,893,402**	**$8,415,270**

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, 2011	December 31, 2010
1. Total side account	$7,893,402	$8,415,270
2. Combined valuation payroll	9,910,089	10,554,122
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.85%)	(6.57%)

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

Brief Summary of 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.

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September 28, 2012

Multnomah Education Service District/4238
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Multnomah Education Service District/4238

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.

September 28, 2012
Multnomah Education Service District/4238

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Multnomah Education Service District -- #4238

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Multnomah Education Service District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Multnomah Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Multnomah Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.44%)	(8.44%)	(8.44%)
Net pension contribution rate	**17.66%**	**15.76%**	**18.49%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.25%**	**16.25%**	**18.98%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.13%	9.71%	12.42%
July 1, 2013 to June 30, 2015	17.66%	15.76%	18.49%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Multnomah Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$69,886,459	$58,321,300
Allocated pooled OPSRP UAL	473,939	366,501
Side account	27,245,182	29,135,430
Net unfunded pension actuarial accrued liability	43,115,216	29,552,371
Combined valuation payroll	27,776,853	29,517,855
Net pension UAL as a percentage of payroll	155%	100%
Calculated Side Account Rate Relief	(8.44%)	(8.13%)
Allocated Pooled RHIA UAL	$719,573	$1,062,006

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$29,135,430**	**$29,135,430**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,670,285)	(2,670,285)
5. Side account earnings during 2011		781,037	781,037
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$27,245,182**	**$27,245,182**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$27,245,182	$29,135,430
Side Account 2	0	0
Side Account 3	0	0
Total	**$27,245,182**	**$29,135,430**

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, 2011	December 31, 2010
1. Total side account	$27,245,182	$29,135,430
2. Combined valuation payroll	27,776,853	29,517,855
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.44%)	(8.13%)

[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 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.

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September 28, 2012

Nestucca Valley School District #101/4336
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Nestucca Valley School District #101/4336

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Nestucca Valley School District #101 -- #4336

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Nestucca Valley School District #101 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Nestucca Valley School District #101.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Nestucca Valley School District #101

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(6.62%)	(6.62%)	(6.62%)
Net pension contribution rate	**19.48%**	**17.58%**	**20.31%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**20.07%**	**18.07%**	**20.80%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.98%	11.56%	14.27%
July 1, 2013 to June 30, 2015	19.48%	17.58%	20.31%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Nestucca Valley School District #101

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$7,040,057	$5,723,626
Allocated pooled OPSRP UAL	47,743	35,968
Side account	2,153,288	2,195,814
Net unfunded pension actuarial accrued liability	4,934,512	3,563,780
Combined valuation payroll	2,798,119	2,896,869
Net pension UAL as a percentage of payroll	176%	123%
Calculated Side Account Rate Relief	(6.62%)	(6.25%)
Allocated Pooled RHIA UAL	$72,487	$104,225

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$2,195,814**	**$2,195,814**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(98,914)	(98,914)
5. Side account earnings during 2011		57,388	57,388
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,153,288**	**$2,153,288**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,153,288	$2,195,814
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,153,288**	**$2,195,814**

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, 2011	December 31, 2010
1. Total side account	$2,153,288	$2,195,814
2. Combined valuation payroll	2,798,119	2,896,869
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(6.62%)	(6.25%)

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

Brief Summary of 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.

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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.

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Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the 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 28, 2012

Newberg School District #29Jt/4135
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Newberg School District #29Jt/4135

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
Newberg School District #29Jt/4135

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.

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

Sincerely,

Scott Preppernau

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

SCHOOL DISTRICT POOL

Newberg School District #29Jt -- #4135

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Newberg School District #29Jt to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Newberg School District #29Jt.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Newberg School District #29Jt

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.68%)	(13.68%)	(13.68%)
Net pension contribution rate	**12.42%**	**10.52%**	**13.25%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.01%**	**11.01%**	**13.74%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	5.53%	4.11%	6.82%
July 1, 2013 to June 30, 2015	12.42%	10.52%	13.25%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Newberg School District #29Jt

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$58,462,948	$46,615,637
Allocated pooled OPSRP UAL	396,470	292,940
Side account	36,967,272	39,428,844
Net unfunded pension actuarial accrued liability	21,892,146	7,479,733
Combined valuation payroll	23,236,500	23,593,329
Net pension UAL as a percentage of payroll	94%	32%
Calculated Side Account Rate Relief	(13.68%)	(13.77%)
Allocated Pooled RHIA UAL	$601,953	$848,851

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$39,428,844**	**$39,428,844**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(3,533,555)	(3,533,555)
5. Side account earnings during 2011		1,072,982	1,072,982
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$36,967,272**	**$36,967,272**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$36,967,272	$39,428,844
Side Account 2	0	0
Side Account 3	0	0
Total	**$36,967,272**	**$39,428,844**

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, 2011	December 31, 2010
1. Total side account	$36,967,272	$39,428,844
2. Combined valuation payroll	23,236,500	23,593,329
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.68%)	(13.77%)

[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 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.

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September 28, 2012

North Bend Public Schools/3245
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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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,
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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 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.

September 28, 2012
North Bend Public Schools/3245

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

North Bend Public Schools -- #3245

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for North Bend Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Bend Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for North Bend Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.34%)	(9.34%)	(9.34%)
Net pension contribution rate	**16.76%**	**14.86%**	**17.59%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.35%**	**15.35%**	**18.08%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	9.72%	8.30%	11.01%
July 1, 2013 to June 30, 2015	16.76%	14.86%	17.59%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

North Bend Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$20,550,877	$15,541,644
Allocated pooled OPSRP UAL	139,367	97,666
Side account	8,870,646	9,525,012
Net unfunded pension actuarial accrued liability	11,819,598	6,114,298
Combined valuation payroll	8,168,087	7,866,011
Net pension UAL as a percentage of payroll	145%	78%
Calculated Side Account Rate Relief	(9.34%)	(9.98%)
Allocated Pooled RHIA UAL	$211,598	$283,007

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$9,525,012**	**$9,525,012**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(913,369)	(913,369)
5. Side account earnings during 2011		260,003	260,003
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,870,646**	**$8,870,646**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,870,646	$9,525,012
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,870,646**	**$9,525,012**

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, 2011	December 31, 2010
1. Total side account	$8,870,646	$9,525,012
2. Combined valuation payroll	8,168,087	7,866,011
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.34%)	(9.98%)

[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 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.

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September 28, 2012

North Clackamas School District #12/4321
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
North Clackamas School District #12/4321

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

North Clackamas School District #12 -- #4321

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Clackamas School District #12.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for North Clackamas School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.61%)	(13.61%)	(13.61%)
Net pension contribution rate	**12.49%**	**10.59%**	**13.32%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.08%**	**11.08%**	**13.81%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.38%	5.96%	8.67%
July 1, 2013 to June 30, 2015	12.49%	10.59%	13.32%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

North Clackamas School District #12

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$185,521,794	$161,904,297
Allocated pooled OPSRP UAL	1,258,127	1,017,434
Side account	116,635,307	124,824,105
Net unfunded pension actuarial accrued liability	70,144,614	38,097,626
Combined valuation payroll	73,736,911	81,943,777
Net pension UAL as a percentage of payroll	95%	46%
Calculated Side Account Rate Relief	(13.61%)	(12.55%)
Allocated Pooled RHIA UAL	$1,910,192	$2,948,208

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$124,824,105**	**$124,824,105**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(11,589,250)	(11,589,250)
5. Side account earnings during 2011		3,402,453	3,402,453
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$116,635,307**	**$116,635,307**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$52,258,465	$55,887,786
Side Account 2	64,376,842	68,936,319
Side Account 3	0	0
Total	**$116,635,307**	**$124,824,105**

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, 2011	December 31, 2010
1. Total side account	$116,635,307	$124,824,105
2. Combined valuation payroll	73,736,911	81,943,777
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.61%)	(12.55%)

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

Brief Summary of 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.

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September 28, 2012

North Marion School District #15/3730
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
North Marion School District #15/3730

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Marion School District #15 -- #3730

SEPTEMBER 2012

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Executive Summary

Milliman has prepared this report for North Marion School District #15 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Marion School District #15.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for North Marion School District #15

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(12.06%)	(12.06%)	(12.06%)
Net pension contribution rate	**14.04%**	**12.14%**	**14.87%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.63%**	**12.63%**	**15.36%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.36%	5.94%	8.65%
July 1, 2013 to June 30, 2015	14.04%	12.14%	14.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

North Marion School District #15

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$20,854,887	$17,732,054
Allocated pooled OPSRP UAL	141,429	111,431
Side account	11,620,593	12,510,793
Net unfunded pension actuarial accrued liability	9,375,723	5,332,692
Combined valuation payroll	8,288,918	8,974,632
Net pension UAL as a percentage of payroll	113%	59%
Calculated Side Account Rate Relief	(12.06%)	(11.49%)
Allocated Pooled RHIA UAL	$214,729	$322,893

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$12,510,793**	**$12,510,793**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,233,029)	(1,233,029)
5. Side account earnings during 2011		343,829	343,829
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,620,593**	**$11,620,593**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,620,593	$12,510,793
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,620,593**	**$12,510,793**

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, 2011	December 31, 2010
1. Total side account	$11,620,593	$12,510,793
2. Combined valuation payroll	8,288,918	8,974,632
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.06%)	(11.49%)

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

Brief Summary of 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.

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September 28, 2012

North Santiam School District #29J/4342
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
North Santiam School District #29J/4342

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
North Santiam School District #29J/4342

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Santiam School District #29J -- #4342

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for North Santiam School District #29J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Santiam School District #29J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for North Santiam School District #29J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(14.14%)	(14.14%)	(14.14%)
Net pension contribution rate	**11.96%**	**10.06%**	**12.79%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**12.55%**	**10.55%**	**13.28%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
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Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.36%	4.94%	7.65%
July 1, 2013 to June 30, 2015	11.96%	10.06%	12.79%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

North Santiam School District #29J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$24,952,051	$21,589,061
Allocated pooled OPSRP UAL	169,214	135,669
Side account	16,304,725	17,510,004
Net unfunded pension actuarial accrued liability	8,816,540	4,214,726
Combined valuation payroll	9,917,364	10,926,759
Net pension UAL as a percentage of payroll	89%	39%
Calculated Side Account Rate Relief	(14.14%)	(13.21%)
Allocated Pooled RHIA UAL	$256,914	$393,128

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$17,510,004**	**$17,510,004**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,661,024)	(1,661,024)
5. Side account earnings during 2011		456,744	456,744
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$16,304,725**	**$16,304,725**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$16,304,725	$17,510,004
Side Account 2	0	0
Side Account 3	0	0
Total	**$16,304,725**	**$17,510,004**

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, 2011	December 31, 2010
1. Total side account	$16,304,725	$17,510,004
2. Combined valuation payroll	9,917,364	10,926,759
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.14%)	(13.21%)

[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 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.

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September 28, 2012

North Wasco County School District #21/4381
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
North Wasco County School District #21/4381

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Wasco County School District #21 -- #4381

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for North Wasco County School District #21 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to North Wasco County School District #21.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for North Wasco County School District #21

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.38%)	(9.38%)	(9.38%)
Net pension contribution rate	**16.72%**	**14.82%**	**17.55%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.31%**	**15.31%**	**18.04%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	9.64%	8.22%	10.93%
July 1, 2013 to June 30, 2015	16.72%	14.82%	17.55%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

North Wasco County School District #21

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$35,511,416	$28,885,786
Allocated pooled OPSRP UAL	240,823	181,523
Side account	15,398,235	16,662,836
Net unfunded pension actuarial accrued liability	20,354,004	12,404,473
Combined valuation payroll	14,114,256	14,619,812
Net pension UAL as a percentage of payroll	144%	85%
Calculated Side Account Rate Relief	(9.38%)	(9.39%)
Allocated Pooled RHIA UAL	$365,637	$525,998

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$16,662,836**	**$16,662,836**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,720,289)	(1,720,289)
5. Side account earnings during 2011		456,688	456,688
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$15,398,235**	**$15,398,235**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$15,398,235	$16,662,836
Side Account 2	0	0
Side Account 3	0	0
Total	**$15,398,235**	**$16,662,836**

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, 2011	December 31, 2010
1. Total side account	$15,398,235	$16,662,836
2. Combined valuation payroll	14,114,256	14,619,812
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.38%)	(9.39%)

[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 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.

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September 28, 2012

Ontario School District #8C/3684
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Ontario School District #8C/3684

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Ontario School District #8C -- #3684

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Ontario School District #8C to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Ontario School District #8C.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Ontario School District #8C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(7.13%)	(7.13%)	(7.13%)
Net pension contribution rate	**18.97%**	**17.07%**	**19.80%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.56%**	**17.56%**	**20.29%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	12.80%	11.38%	14.09%
July 1, 2013 to June 30, 2015	18.97%	17.07%	19.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Ontario School District #8C

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$30,744,503	$26,000,531
Allocated pooled OPSRP UAL	208,496	163,392
Side account	10,123,868	10,664,130
Net unfunded pension actuarial accrued liability	20,829,131	15,499,793
Combined valuation payroll	12,219,614	13,159,513
Net pension UAL as a percentage of payroll	170%	118%
Calculated Side Account Rate Relief	(7.13%)	(6.68%)
Allocated Pooled RHIA UAL	$316,555	$473,458

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$10,664,130**	**$10,664,130**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(828,939)	(828,939)
5. Side account earnings during 2011		289,677	289,677
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,123,868**	**$10,123,868**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$10,123,868	$10,664,130
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,123,868**	**$10,664,130**

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, 2011	December 31, 2010
1. Total side account	$10,123,868	$10,664,130
2. Combined valuation payroll	12,219,614	13,159,513
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(7.13%)	(6.68%)

[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 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.

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September 28, 2012

Oregon City School District #62/3122
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Oregon City School District #62/3122

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Oregon City School District #62 -- #3122

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Oregon City School District #62 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Oregon City School District #62.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Oregon City School District #62

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.37%)	(9.37%)	(9.37%)
Net pension contribution rate	**16.73%**	**14.83%**	**17.56%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.32%**	**15.32%**	**18.05%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.16%	8.74%	11.45%
July 1, 2013 to June 30, 2015	16.73%	14.83%	17.56%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Oregon City School District #62

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$86,745,501	$73,302,479
Allocated pooled OPSRP UAL	588,270	460,645
Side account	37,547,946	39,858,411
Net unfunded pension actuarial accrued liability	49,785,825	33,904,713
Combined valuation payroll	34,477,595	37,100,201
Net pension UAL as a percentage of payroll	144%	91%
Calculated Side Account Rate Relief	(9.37%)	(8.85%)
Allocated Pooled RHIA UAL	$893,159	$1,334,807

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$39,858,411**	**$39,858,411**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(3,394,179)	(3,394,179)
5. Side account earnings during 2011		1,084,714	1,084,714
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$37,547,946**	**$37,547,946**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$37,547,946	$39,858,411
Side Account 2	0	0
Side Account 3	0	0
Total	**$37,547,946**	**$39,858,411**

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, 2011	December 31, 2010
1. Total side account	$37,547,946	$39,858,411
2. Combined valuation payroll	34,477,595	37,100,201
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.37%)	(8.85%)

[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 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.

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September 28, 2012

Pendleton School District #16R/3931
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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Pendleton School District #16R/3931

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Pendleton School District #16R -- #3931

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Pendleton School District #16R to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Pendleton School District #16R.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Pendleton School District #16R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(18.22%)	(18.22%)	(18.22%)
Net pension contribution rate	**7.88%**	**5.98%**	**8.71%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**8.47%**	**6.47%**	**9.20%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	2.72%	1.30%	4.01%
July 1, 2013 to June 30, 2015	7.88%	5.98%	8.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Pendleton School District #16R

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$34,280,314	$27,265,019
Allocated pooled OPSRP UAL	232,474	171,338
Side account	28,853,761	30,275,289
Net unfunded pension actuarial accrued liability	5,659,027	(2,838,932)
Combined valuation payroll	13,624,946	13,799,502
Net pension UAL as a percentage of payroll	42%	(21%)
Calculated Side Account Rate Relief	(18.22%)	(18.08%)
Allocated Pooled RHIA UAL	$352,961	$496,484

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$30,275,289**	**$30,275,289**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,216,549)	(2,216,549)
5. Side account earnings during 2011		797,021	797,021
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$28,853,761**	**$28,853,761**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$12,810,884	$13,428,164
Side Account 2	16,042,877	16,847,125
Side Account 3	0	0
Total	**$28,853,761**	**$30,275,289**

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, 2011	December 31, 2010
1. Total side account	$28,853,761	$30,275,289
2. Combined valuation payroll	13,624,946	13,799,502
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(18.22%)	(18.08%)

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

Brief Summary of 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

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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.

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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.

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September 28, 2012

Philomath School District #17J/3043
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
Philomath School District #17J/3043

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.

September 28, 2012
Philomath School District #17J/3043

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Philomath School District #17J -- #3043

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Philomath School District #17J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Philomath School District #17J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Philomath School District #17J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.90%)	(8.90%)	(8.90%)
Net pension contribution rate	**17.20%**	**15.30%**	**18.03%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.79%**	**15.79%**	**18.52%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.09%	9.67%	12.38%
July 1, 2013 to June 30, 2015	17.20%	15.30%	18.03%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Philomath School District #17J

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$15,236,511	$13,058,906
Allocated pooled OPSRP UAL	103,327	82,064
Side account	6,263,111	6,650,295
Net unfunded pension actuarial accrued liability	9,076,727	6,490,675
Combined valuation payroll	6,055,856	6,609,436
Net pension UAL as a percentage of payroll	150%	98%
Calculated Side Account Rate Relief	(8.90%)	(8.29%)
Allocated Pooled RHIA UAL	$156,880	$237,797

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$6,650,295**	**$6,650,295**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(566,061)	(566,061)
5. Side account earnings during 2011		179,877	179,877
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$6,263,111**	**$6,263,111**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,263,111	$6,650,295
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,263,111**	**$6,650,295**

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, 2011	December 31, 2010
1. Total side account	$6,263,111	$6,650,295
2. Combined valuation payroll	6,055,856	6,609,436
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.90%)	(8.29%)

[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 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.

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

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September 28, 2012

Pilot Rock School District #2R/3958
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Pilot Rock School District #2R/3958

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Pilot Rock School District #2R -- #3958

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Pilot Rock School District #2R to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Pilot Rock School District #2R.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Pilot Rock School District #2R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.62%)	(10.62%)	(10.62%)
Net pension contribution rate	**15.48%**	**13.58%**	**16.31%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.07%**	**14.07%**	**16.80%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.23%	8.81%	11.52%
July 1, 2013 to June 30, 2015	15.48%	13.58%	16.31%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Pilot Rock School District #2R

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$4,218,601	$3,418,766
Allocated pooled OPSRP UAL	28,609	21,484
Side account	2,069,381	2,193,656
Net unfunded pension actuarial accrued liability	2,177,829	1,246,594
Combined valuation payroll	1,676,712	1,730,322
Net pension UAL as a percentage of payroll	130%	72%
Calculated Side Account Rate Relief	(10.62%)	(10.45%)
Allocated Pooled RHIA UAL	$43,436	$62,254

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$2,193,656**	**$2,193,656**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(181,119)	(181,119)
5. Side account earnings during 2011		57,843	57,843
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$2,069,381**	**$2,069,381**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$2,069,381	$2,193,656
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,069,381**	**$2,193,656**

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, 2011	December 31, 2010
1. Total side account	$2,069,381	$2,193,656
2. Combined valuation payroll	1,676,712	1,730,322
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(10.62%)	(10.45%)

[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 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.

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September 28, 2012

Portland Public Schools/3818
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Portland Public Schools/3818

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Portland Public Schools -- #3818

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Portland Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Portland Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Portland Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(18.99%)	(18.99%)	(18.99%)
Net pension contribution rate	**7.11%**	**5.21%**	**7.94%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**7.70%**	**5.70%**	**8.43%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.29%	0.00%	2.58%
July 1, 2013 to June 30, 2015	7.11%	5.21%	7.94%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Portland Public Schools

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$657,130,894	$554,113,579
Allocated pooled OPSRP UAL	4,456,371	3,482,142
Side account	576,688,479	606,581,051
Net unfunded pension actuarial accrued liability	84,898,786	(48,985,330)
Combined valuation payroll	261,181,186	280,450,614
Net pension UAL as a percentage of payroll	33%	(17%)
Calculated Side Account Rate Relief	(18.99%)	(17.83%)
Allocated Pooled RHIA UAL	$6,766,030	$10,090,170

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$606,581,051**	**$606,581,051**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(45,753,755)	(45,753,755)
5. Side account earnings during 2011		15,863,183	15,863,183
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$576,688,479**	**$576,688,479**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$241,425,264	$255,143,059
Side Account 2	335,263,215	351,437,992
Side Account 3	0	0
Total	**$576,688,479**	**$606,581,051**

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, 2011	December 31, 2010
1. Total side account	$576,688,479	$606,581,051
2. Combined valuation payroll	261,181,186	280,450,614
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(18.99%)	(17.83%)

[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 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.

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September 28, 2012

Rainier School District #13/4320
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Rainier School District #13/4320

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.

September 28, 2012
Rainier School District #13/4320

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Rainier School District #13 -- #4320

SEPTEMBER 2012

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Executive Summary

Milliman has prepared this report for Rainier School District #13 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Rainier School District #13.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Rainier School District #13

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(11.35%)	(11.35%)	(11.35%)
Net pension contribution rate	**14.75%**	**12.85%**	**15.58%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.34%**	**13.34%**	**16.07%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.86%	7.44%	10.15%
July 1, 2013 to June 30, 2015	14.75%	12.85%	15.58%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Rainier School District #13

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$10,837,362	$9,186,738
Allocated pooled OPSRP UAL	73,494	57,731
Side account	5,684,794	6,044,053
Net unfunded pension actuarial accrued liability	5,226,062	3,200,416
Combined valuation payroll	4,307,384	4,649,636
Net pension UAL as a percentage of payroll	121%	69%
Calculated Side Account Rate Relief	(11.35%)	(10.71%)
Allocated Pooled RHIA UAL	$111,585	$167,287

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$6,044,053**	**$6,044,053**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(523,510)	(523,510)
5. Side account earnings during 2011		165,251	165,251
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$5,684,794**	**$5,684,794**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,684,794	$6,044,053
Side Account 2	0	0
Side Account 3	0	0
Total	**$5,684,794**	**$6,044,053**

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, 2011	December 31, 2010
1. Total side account	$5,684,794	$6,044,053
2. Combined valuation payroll	4,307,384	4,649,636
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.35%)	(10.71%)

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

Brief Summary of 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.

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September 28, 2012

Redmond School District #2J/4311
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
Redmond School District #2J/4311

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.

September 28, 2012
Redmond School District #2J/4311

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Redmond School District #2J -- #4311

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Redmond School District #2J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Redmond School District #2J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Redmond School District #2J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(7.73%)	(7.73%)	(7.73%)
Net pension contribution rate	**18.37%**	**16.47%**	**19.20%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.96%**	**16.96%**	**19.69%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

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Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.63%	10.21%	12.92%
July 1, 2013 to June 30, 2015	18.37%	16.47%	19.20%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Redmond School District #2J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$71,739,397	$57,822,685
Allocated pooled OPSRP UAL	486,505	363,367
Side account	25,609,536	27,439,543
Net unfunded pension actuarial accrued liability	46,616,366	30,746,509
Combined valuation payroll	28,513,316	29,265,494
Net pension UAL as a percentage of payroll	163%	105%
Calculated Side Account Rate Relief	(7.73%)	(7.73%)
Allocated Pooled RHIA UAL	$738,652	$1,052,926

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$27,439,543**	**$27,439,543**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,582,555)	(2,582,555)
5. Side account earnings during 2011		753,548	753,548
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$25,609,536**	**$25,609,536**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$25,609,536	$27,439,543
Side Account 2	0	0
Side Account 3	0	0
Total	**$25,609,536**	**$27,439,543**

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, 2011	December 31, 2010
1. Total side account	$25,609,536	$27,439,543
2. Combined valuation payroll	28,513,316	29,265,494
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.73%)	(7.73%)

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

Brief Summary of 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.

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September 28, 2012

Reedsport School District/4312
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Reedsport School District/4312

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

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

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

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

September 28, 2012
Reedsport School District/4312

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Reedsport School District -- #4312

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Reedsport School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Reedsport School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Reedsport School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.48%)	(10.48%)	(10.48%)
Net pension contribution rate	**15.62%**	**13.72%**	**16.45%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.21%**	**14.21%**	**16.94%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	9.61%	8.19%	10.90%
July 1, 2013 to June 30, 2015	15.62%	13.72%	16.45%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Reedsport School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$6,837,829	$5,787,950
Allocated pooled OPSRP UAL	46,371	36,372
Side account	3,312,839	3,503,458
Net unfunded pension actuarial accrued liability	3,571,361	2,320,864
Combined valuation payroll	2,717,742	2,929,425
Net pension UAL as a percentage of payroll	131%	79%
Calculated Side Account Rate Relief	(10.48%)	(9.86%)
Allocated Pooled RHIA UAL	$70,404	$105,396

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$3,503,458**	**$3,503,458**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(284,626)	(284,626)
5. Side account earnings during 2011		95,008	95,008
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,312,839**	**$3,312,839**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,312,839	$3,503,458
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,312,839**	**$3,503,458**

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, 2011	December 31, 2010
1. Total side account	$3,312,839	$3,503,458
2. Combined valuation payroll	2,717,742	2,929,425
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.48%)	(9.86%)

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

Brief Summary of 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.

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September 28, 2012

Reynolds School District/3824
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Reynolds School District/3824

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Reynolds School District -- #3824

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Reynolds School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Reynolds School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Reynolds School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(12.58%)	(12.58%)	(12.58%)
Net pension contribution rate	**13.52%**	**11.62%**	**14.35%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.11%**	**12.11%**	**14.84%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.54%	5.12%	7.83%
July 1, 2013 to June 30, 2015	13.52%	11.62%	14.35%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Reynolds School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$145,727,627	$114,431,621
Allocated pooled OPSRP UAL	988,260	719,107
Side account	84,736,389	90,139,195
Net unfunded pension actuarial accrued liability	61,979,498	25,011,533
Combined valuation payroll	57,920,446	57,916,679
Net pension UAL as a percentage of payroll	107%	43%
Calculated Side Account Rate Relief	(12.58%)	(12.83%)
Allocated Pooled RHIA UAL	$1,500,458	$2,083,751

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$90,139,195**	**$90,139,195**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(7,865,543)	(7,865,543)
5. Side account earnings during 2011		2,463,737	2,463,737
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$84,736,389**	**$84,736,389**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$84,736,389	$90,139,195
Side Account 2	0	0
Side Account 3	0	0
Total	**$84,736,389**	**$90,139,195**

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, 2011	December 31, 2010
1. Total side account	$84,736,389	$90,139,195
2. Combined valuation payroll	57,920,446	57,916,679
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.58%)	(12.83%)

[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 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.

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September 28, 2012

Riverdale School/3847
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Riverdale School/3847

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Riverdale School -- #3847

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Riverdale School to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Riverdale School.

Employer Contribution Rates

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

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(10.53%)	(10.53%)	(10.53%)
Net pension contribution rate	**15.57%**	**13.67%**	**16.40%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**16.16%**	**14.16%**	**16.89%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.86%	6.44%	9.15%
July 1, 2013 to June 30, 2015	15.57%	13.67%	16.40%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Riverdale School

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$9,071,820	$7,263,207
Allocated pooled OPSRP UAL	61,521	45,643
Side account	4,416,107	4,822,717
Net unfunded pension actuarial accrued liability	4,717,234	2,486,133
Combined valuation payroll	3,605,657	3,676,089
Net pension UAL as a percentage of payroll	131%	68%
Calculated Side Account Rate Relief	(10.53%)	(10.81%)
Allocated Pooled RHIA UAL	$93,406	$132,260

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$4,822,717**	**$4,822,717**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(537,011)	(537,011)
5. Side account earnings during 2011		131,401	131,401
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$4,416,107**	**$4,416,107**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$4,416,107	$4,822,717
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,416,107**	**$4,822,717**

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, 2011	December 31, 2010
1. Total side account	$4,416,107	$4,822,717
2. Combined valuation payroll	3,605,657	3,676,089
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.53%)	(10.81%)

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

Brief Summary of 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.

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September 28, 2012

Roseburg Public Schools/3310
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
Roseburg Public Schools/3310

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.

September 28, 2012
Roseburg Public Schools/3310

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Roseburg Public Schools -- #3310

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Roseburg Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Roseburg Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Roseburg Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(11.55%)	(11.55%)	(11.55%)
Net pension contribution rate	**14.55%**	**12.65%**	**15.38%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.14%**	**13.14%**	**15.87%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.68%	7.26%	9.97%
July 1, 2013 to June 30, 2015	14.55%	12.65%	15.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Roseburg Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$63,684,510	$53,647,085
Allocated pooled OPSRP UAL	431,880	337,127
Side account	33,994,124	35,987,805
Net unfunded pension actuarial accrued liability	30,122,266	17,996,407
Combined valuation payroll	25,311,846	27,152,119
Net pension UAL as a percentage of payroll	119%	66%
Calculated Side Account Rate Relief	(11.55%)	(10.93%)
Allocated Pooled RHIA UAL	$655,716	$976,890

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$35,987,805**	**$35,987,805**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,963,616)	(2,963,616)
5. Side account earnings during 2011		971,935	971,935
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$33,994,124**	**$33,994,124**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$21,777,653	$23,054,498
Side Account 2	12,216,472	12,933,307
Side Account 3	0	0
Total	**$33,994,124**	**$35,987,805**

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, 2011	December 31, 2010
1. Total side account	$33,994,124	$35,987,805
2. Combined valuation payroll	25,311,846	27,152,119
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.55%)	(10.93%)

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

Brief Summary of 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.

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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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

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September 28, 2012
Salem-Keizer Public Schools/3735

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Salem-Keizer Public Schools -- #3735

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Salem-Keizer Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Salem-Keizer Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.01%)	(8.01%)	(8.01%)
Net pension contribution rate	**18.09%**	**16.19%**	**18.92%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.68%**	**16.68%**	**19.41%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.16%	9.74%	12.45%
July 1, 2013 to June 30, 2015	18.09%	16.19%	18.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Salem-Keizer Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$497,686,130	$424,443,374
Allocated pooled OPSRP UAL	3,375,087	2,667,273
Side account	184,212,413	199,852,763
Net unfunded pension actuarial accrued liability	316,848,804	227,257,884
Combined valuation payroll	197,808,770	214,821,310
Net pension UAL as a percentage of payroll	160%	106%
Calculated Side Account Rate Relief	(8.01%)	(7.67%)
Allocated Pooled RHIA UAL	$5,124,336	$7,728,931

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$199,852,763**	**$199,852,763**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(21,187,296)	(21,187,296)
5. Side account earnings during 2011		5,548,946	5,548,946
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$184,212,413**	**$184,212,413**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$114,555,965	$124,285,349
Side Account 2	69,656,448	75,567,414
Side Account 3	0	0
Total	**$184,212,413**	**$199,852,763**

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, 2011	December 31, 2010
1. Total side account	$184,212,413	$199,852,763
2. Combined valuation payroll	197,808,770	214,821,310
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.01%)	(7.67%)

[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 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.

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

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September 28, 2012

Santiam Canyon School District/3665
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
Santiam Canyon School District/3665

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

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

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

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

September 28, 2012
Santiam Canyon School District/3665

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Santiam Canyon School District -- #3665

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Santiam Canyon School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Santiam Canyon School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(12.46%)	(12.46%)	(12.46%)
Net pension contribution rate	**13.64%**	**11.74%**	**14.47%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.23%**	**12.23%**	**14.96%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.52%	7.10%	9.81%
July 1, 2013 to June 30, 2015	13.64%	11.74%	14.47%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Santiam Canyon School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$7,089,594	$6,245,160
Allocated pooled OPSRP UAL	48,078	39,246
Side account	4,081,951	4,297,425
Net unfunded pension actuarial accrued liability	3,055,721	1,986,981
Combined valuation payroll	2,817,808	3,160,830
Net pension UAL as a percentage of payroll	108%	63%
Calculated Side Account Rate Relief	(12.46%)	(11.20%)
Allocated Pooled RHIA UAL	$72,997	$113,722

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$4,297,425**	**$4,297,425**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(329,172)	(329,172)
5. Side account earnings during 2011		114,699	114,699
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$4,081,951**	**$4,081,951**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$4,081,951	$4,297,425
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,081,951**	**$4,297,425**

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, 2011	December 31, 2010
1. Total side account	$4,081,951	$4,297,425
2. Combined valuation payroll	2,817,808	3,160,830
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.46%)	(11.20%)

[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 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.

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September 28, 2012

School Districts/3000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

September 28, 2012
School Districts/3000

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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

School Districts -- #3000

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for School Districts to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to School Districts.

Employer Contribution Rates

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

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	0.00%	0.00%	0.00%
Net pension contribution rate	**26.10%**	**24.20%**	**26.93%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**26.69%**	**24.69%**	**27.42%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	18.89%	17.47%	20.18%
July 1, 2013 to June 30, 2015	26.10%	24.20%	26.93%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

School Districts

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	N/A	N/A
Allocated pooled OPSRP UAL	N/A	N/A
Side account	N/A	N/A
Net unfunded pension actuarial accrued liability	N/A	N/A
Combined valuation payroll	N/A	N/A
Net pension UAL as a percentage of payroll	N/A	N/A
Calculated Side Account Rate Relief	N/A	N/A
Allocated Pooled RHIA UAL	N/A	N/A

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1		
Side Account 2		
Side Account 3		
Total	**$0**	**$0**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	0	0
3. Amortization factor	0.000	0.000
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

Brief Summary of 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.

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September 28, 2012

Seaside Schools/3187
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Seaside Schools/3187

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

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

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

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

September 28, 2012
Seaside Schools/3187

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Seaside Schools -- #3187

SEPTEMBER 2012

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Employer Contribution Rates

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

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.06%)	(8.06%)	(8.06%)
Net pension contribution rate	**18.04%**	**16.14%**	**18.87%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.63%**	**16.63%**	**19.36%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.34%	9.92%	12.63%
July 1, 2013 to June 30, 2015	18.04%	16.14%	18.87%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Seaside Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$20,992,547	$17,419,422
Allocated pooled OPSRP UAL	142,362	109,467
Side account	7,818,762	8,409,201
Net unfunded pension actuarial accrued liability	13,316,147	9,119,688
Combined valuation payroll	8,343,632	8,816,401
Net pension UAL as a percentage of payroll	160%	103%
Calculated Side Account Rate Relief	(8.06%)	(7.86%)
Allocated Pooled RHIA UAL	$216,146	$317,200

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$8,409,201**	**$8,409,201**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(818,345)	(818,345)
5. Side account earnings during 2011		228,905	228,905
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$7,818,762**	**$7,818,762**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,818,762	$8,409,201
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,818,762**	**$8,409,201**

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, 2011	December 31, 2010
1. Total side account	$7,818,762	$8,409,201
2. Combined valuation payroll	8,343,632	8,816,401
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.06%)	(7.86%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Sherwood School District #88J/4317

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Sherwood School District #88J -- #4317

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sherwood School District #88J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Sherwood School District #88J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(4.13%)	(4.13%)	(4.13%)
Net pension contribution rate	**21.97%**	**20.07%**	**22.80%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.56%**	**20.56%**	**23.29%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	13.99%	12.57%	15.28%
July 1, 2013 to June 30, 2015	21.97%	20.07%	22.80%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sherwood School District #88J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$55,994,708	$44,609,845
Allocated pooled OPSRP UAL	379,731	280,336
Side account	10,686,309	11,900,712
Net unfunded pension actuarial accrued liability	45,688,130	32,989,469
Combined valuation payroll	22,255,481	22,578,148
Net pension UAL as a percentage of payroll	205%	146%
Calculated Side Account Rate Relief	(4.13%)	(4.34%)
Allocated Pooled RHIA UAL	$576,539	$812,326

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$11,900,712**	**$11,900,712**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,551,694)	(1,551,694)
5. Side account earnings during 2011		339,291	339,291
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$10,686,309**	**$10,686,309**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,067,874	$7,870,769
Side Account 2	3,618,435	4,029,943
Side Account 3	0	0
Total	**$10,686,309**	**$11,900,712**

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, 2011	December 31, 2010
1. Total side account	$10,686,309	$11,900,712
2. Combined valuation payroll	22,255,481	22,578,148
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(4.13%)	(4.34%)

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

Brief Summary of 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.

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September 28, 2012

Silver Falls School District/4270
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Silver Falls School District -- #4270

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Silver Falls School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Silver Falls School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.07%)	(9.07%)	(9.07%)
Net pension contribution rate	**17.03%**	**15.13%**	**17.86%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.62%**	**15.62%**	**18.35%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.15%	8.73%	11.44%
July 1, 2013 to June 30, 2015	17.03%	15.13%	17.86%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Silver Falls School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$39,040,561	$32,040,316
Allocated pooled OPSRP UAL	264,756	201,347
Side account	16,368,880	17,602,748
Net unfunded pension actuarial accrued liability	22,936,437	14,638,915
Combined valuation payroll	15,516,939	16,216,398
Net pension UAL as a percentage of payroll	148%	90%
Calculated Side Account Rate Relief	(9.07%)	(8.94%)
Allocated Pooled RHIA UAL	$401,974	$583,440

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
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Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
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Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$17,602,748**	**$17,602,748**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,710,448)	(1,710,448)
5. Side account earnings during 2011		478,580	478,580
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$16,368,880**	**$16,368,880**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$13,693,145	$14,723,879
Side Account 2	2,675,735	2,878,869
Side Account 3	0	0
Total	**$16,368,880**	**$17,602,748**

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, 2011	December 31, 2010
1. Total side account	$16,368,880	$17,602,748
2. Combined valuation payroll	15,516,939	16,216,398
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.07%)	(8.94%)

[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 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.

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September 28, 2012

Sisters School District/3296
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Sisters School District/3296

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

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

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

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

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sisters School District -- #3296

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Sisters School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sisters School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Sisters School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(13.10%)	(13.10%)	(13.10%)
Net pension contribution rate	**13.00%**	**11.10%**	**13.83%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**13.59%**	**11.59%**	**14.32%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	8.60%	7.18%	9.89%
July 1, 2013 to June 30, 2015	13.00%	11.10%	13.83%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sisters School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$14,582,214	$13,363,558
Allocated pooled OPSRP UAL	98,890	83,979
Side account	8,823,902	9,353,643
Net unfunded pension actuarial accrued liability	5,857,202	4,093,894
Combined valuation payroll	5,795,801	6,763,628
Net pension UAL as a percentage of payroll	101%	61%
Calculated Side Account Rate Relief	(13.10%)	(11.40%)
Allocated Pooled RHIA UAL	$150,143	$243,345

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$9,353,643**	**$9,353,643**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(778,328)	(778,328)
5. Side account earnings during 2011		249,587	249,587
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,823,902**	**$8,823,902**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,823,902	$9,353,643
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,823,902**	**$9,353,643**

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, 2011	December 31, 2010
1. Total side account	$8,823,902	$9,353,643
2. Combined valuation payroll	5,795,801	6,763,628
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.10%)	(11.40%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Siuslaw School District #97J/3537

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Siuslaw School District #97J -- #3537

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Siuslaw School District #97J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Siuslaw School District #97J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(11.50%)	(11.50%)	(11.50%)
Net pension contribution rate	**14.60%**	**12.70%**	**15.43%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.19%**	**13.19%**	**15.92%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	6.71%	5.29%	8.00%
July 1, 2013 to June 30, 2015	14.60%	12.70%	15.43%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Siuslaw School District #97J

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$16,210,650	$12,456,367
Allocated pooled OPSRP UAL	109,933	78,278
Side account	8,610,945	9,223,173
Net unfunded pension actuarial accrued liability	7,709,638	3,311,472
Combined valuation payroll	6,443,034	6,304,476
Net pension UAL as a percentage of payroll	120%	53%
Calculated Side Account Rate Relief	(11.50%)	(12.06%)
Allocated Pooled RHIA UAL	$166,910	$226,825

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$9,223,173**	**$9,223,173**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(862,030)	(862,030)
5. Side account earnings during 2011		250,802	250,802
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$8,610,945**	**$8,610,945**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,610,945	$9,223,173
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,610,945**	**$9,223,173**

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, 2011	December 31, 2010
1. Total side account	$8,610,945	$9,223,173
2. Combined valuation payroll	6,443,034	6,304,476
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.50%)	(12.06%)

[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 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.

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September 28, 2012

South Lane School District/3506
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

September 28, 2012
South Lane School District/3506

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Lane School District -- #3506

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to South Lane School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for South Lane School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(15.91%)	(15.91%)	(15.91%)
Net pension contribution rate	**10.19%**	**8.29%**	**11.02%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.78%**	**8.78%**	**11.51%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	4.81%	3.39%	6.10%
July 1, 2013 to June 30, 2015	10.19%	8.29%	11.02%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

South Lane School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$33,297,133	$29,123,065
Allocated pooled OPSRP UAL	225,806	183,014
Side account	24,476,793	25,870,966
Net unfunded pension actuarial accrued liability	9,046,146	3,435,113
Combined valuation payroll	13,234,174	14,739,905
Net pension UAL as a percentage of payroll	68%	23%
Calculated Side Account Rate Relief	(15.91%)	(14.46%)
Allocated Pooled RHIA UAL	$342,838	$530,318

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$25,870,966**	**$25,870,966**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,083,345)	(2,083,345)
5. Side account earnings during 2011		690,172	690,172
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$24,476,793**	**$24,476,793**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$24,476,793	$25,870,966
Side Account 2	0	0
Side Account 3	0	0
Total	**$24,476,793**	**$25,870,966**

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, 2011	December 31, 2010
1. Total side account	$24,476,793	$25,870,966
2. Combined valuation payroll	13,234,174	14,739,905
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(15.91%)	(14.46%)

[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 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.

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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.

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Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the 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 28, 2012

South Umpqua School District/3319
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

September 28, 2012
South Umpqua School District/3319

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

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

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

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

September 28, 2012
South Umpqua School District/3319

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Umpqua School District -- #3319

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to South Umpqua School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for South Umpqua School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(21.88%)	(21.88%)	(21.88%)
Net pension contribution rate	**4.22%**	**2.32%**	**5.05%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**4.81%**	**2.81%**	**5.54%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	0.00%	0.00%	0.93%
July 1, 2013 to June 30, 2015	4.22%	2.32%	5.05%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

South Umpqua School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$15,232,823	$12,874,724
Allocated pooled OPSRP UAL	103,302	80,907
Side account	15,398,472	16,041,935
Net unfunded pension actuarial accrued liability	(62,347)	(3,086,304)
Combined valuation payroll	6,054,390	6,516,217
Net pension UAL as a percentage of payroll	(1%)	(47%)
Calculated Side Account Rate Relief	(21.88%)	(20.29%)
Allocated Pooled RHIA UAL	$156,842	$234,443

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$16,041,935**	**$16,041,935**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,068,296)	(1,068,296)
5. Side account earnings during 2011		426,833	426,833
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$15,398,472**	**$15,398,472**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$7,531,494	$7,827,225
Side Account 2	7,866,978	8,214,710
Side Account 3	0	0
Total	**$15,398,472**	**$16,041,935**

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, 2011	December 31, 2010
1. Total side account	$15,398,472	$16,041,935
2. Combined valuation payroll	6,054,390	6,516,217
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.88%)	(20.29%)

[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 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

September 28, 2012
Springfield School District #19/3487

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Springfield School District #19 -- #3487

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Springfield School District #19 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Springfield School District #19.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Springfield School District #19

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.53%)	(8.53%)	(8.53%)
Net pension contribution rate	**17.57%**	**15.67%**	**18.40%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.16%**	**16.16%**	**18.89%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.82%	9.40%	12.11%
July 1, 2013 to June 30, 2015	17.57%	15.67%	18.40%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Springfield School District #19

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$125,188,334	$105,506,513
Allocated pooled OPSRP UAL	848,972	663,021
Side account	49,328,713	53,089,460
Net unfunded pension actuarial accrued liability	76,708,593	53,080,074
Combined valuation payroll	49,756,963	53,399,461
Net pension UAL as a percentage of payroll	154%	99%
Calculated Side Account Rate Relief	(8.53%)	(8.19%)
Allocated Pooled RHIA UAL	$1,288,979	$1,921,228

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$53,089,460**	**$53,089,460**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(5,201,224)	(5,201,224)
5. Side account earnings during 2011		1,441,476	1,441,476
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$49,328,713**	**$49,328,713**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$49,328,713	$53,089,460
Side Account 2	0	0
Side Account 3	0	0
Total	**$49,328,713**	**$53,089,460**

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, 2011	December 31, 2010
1. Total side account	$49,328,713	$53,089,460
2. Combined valuation payroll	49,756,963	53,399,461
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.53%)	(8.19%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

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

September 28, 2012
St Helens School District #502/4279

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

St Helens School District #502 -- #4279

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to St Helens School District #502.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for St Helens School District #502

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(16.01%)	(16.01%)	(16.01%)
Net pension contribution rate	**10.09%**	**8.19%**	**10.92%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.68%**	**8.68%**	**11.41%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	4.47%	3.05%	5.76%
July 1, 2013 to June 30, 2015	10.09%	8.19%	10.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

St Helens School District #502

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$36,822,232	$31,074,685
Allocated pooled OPSRP UAL	249,712	195,278
Side account	27,237,699	28,940,619
Net unfunded pension actuarial accrued liability	9,834,245	2,329,344
Combined valuation payroll	14,635,249	15,727,668
Net pension UAL as a percentage of payroll	67%	15%
Calculated Side Account Rate Relief	(16.01%)	(15.17%)
Allocated Pooled RHIA UAL	$379,133	$565,857

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$28,940,619**	**$28,940,619**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(2,455,461)	(2,455,461)
5. Side account earnings during 2011		754,541	754,541
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$27,237,699**	**$27,237,699**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,404,142	$12,249,066
Side Account 2	15,833,557	16,691,552
Side Account 3	0	0
Total	**$27,237,699**	**$28,940,619**

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, 2011	December 31, 2010
1. Total side account	$27,237,699	$28,940,619
2. Combined valuation payroll	14,635,249	15,727,668
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(16.01%)	(15.17%)

[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 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.

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September 28, 2012

Stanfield School District/3942
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Stanfield School District/3942

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

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

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

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

September 28, 2012
Stanfield School District/3942

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

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

The consultants who worked on this assignment are 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.

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Stanfield School District -- #3942

SEPTEMBER 2012

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Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Stanfield School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(12.57%)	(12.57%)	(12.57%)
Net pension contribution rate	**13.53%**	**11.63%**	**14.36%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**14.12%**	**12.12%**	**14.85%**

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

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

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	7.42%	6.00%	8.71%
July 1, 2013 to June 30, 2015	13.53%	11.63%	14.36%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Stanfield School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$6,387,257	$5,471,374
Allocated pooled OPSRP UAL	43,316	34,383
Side account	3,711,208	4,034,200
Net unfunded pension actuarial accrued liability	2,719,365	1,471,557
Combined valuation payroll	2,538,659	2,769,198
Net pension UAL as a percentage of payroll	107%	53%
Calculated Side Account Rate Relief	(12.57%)	(12.01%)
Allocated Pooled RHIA UAL	$65,765	$99,631

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$4,034,200**	**$4,034,200**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(433,218)	(433,218)
5. Side account earnings during 2011		111,226	111,226
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,711,208**	**$3,711,208**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,711,208	$4,034,200
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,711,208**	**$4,034,200**

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, 2011	December 31, 2010
1. Total side account	$3,711,208	$4,034,200
2. Combined valuation payroll	2,538,659	2,769,198
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.57%)	(12.01%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

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

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

September 28, 2012
Sutherlin School District #130/3353

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Sutherlin School District #130 -- #3353

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Sutherlin School District #130 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sutherlin School District #130.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Sutherlin School District #130

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(16.22%)	(16.22%)	(16.22%)
Net pension contribution rate	**9.88%**	**7.98%**	**10.71%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.47%**	**8.47%**	**11.20%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
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For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	4.34%	2.92%	5.63%
July 1, 2013 to June 30, 2015	9.88%	7.98%	10.71%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sutherlin School District #130

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$15,790,536	$12,830,200
Allocated pooled OPSRP UAL	107,084	80,627
Side account	11,834,983	12,485,234
Net unfunded pension actuarial accrued liability	4,062,637	425,593
Combined valuation payroll	6,276,057	6,493,682
Net pension UAL as a percentage of payroll	65%	7%
Calculated Side Account Rate Relief	(16.22%)	(15.85%)
Allocated Pooled RHIA UAL	$162,584	$233,632

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$12,485,234**	**$12,485,234**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(980,100)	(980,100)
5. Side account earnings during 2011		331,849	331,849
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,834,983**	**$11,834,983**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$5,228,240	$5,523,214
Side Account 2	6,606,743	6,962,020
Side Account 3	0	0
Total	**$11,834,983**	**$12,485,234**

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, 2011	December 31, 2010
1. Total side account	$11,834,983	$12,485,234
2. Combined valuation payroll	6,276,057	6,493,682
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(16.22%)	(15.85%)

[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 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Sweet Home School District #55/3618

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sweet Home School District #55 -- #3618

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sweet Home School District #55.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Sweet Home School District #55

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(16.12%)	(16.12%)	(16.12%)
Net pension contribution rate	**9.98%**	**8.08%**	**10.81%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**10.57%**	**8.57%**	**11.30%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	4.89%	3.47%	6.18%
July 1, 2013 to June 30, 2015	9.98%	8.08%	10.81%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sweet Home School District #55

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$25,543,101	$21,623,624
Allocated pooled OPSRP UAL	173,222	135,886
Side account	19,025,770	20,076,272
Net unfunded pension actuarial accrued liability	6,690,553	1,683,238
Combined valuation payroll	10,152,281	10,944,252
Net pension UAL as a percentage of payroll	66%	15%
Calculated Side Account Rate Relief	(16.12%)	(15.12%)
Allocated Pooled RHIA UAL	$263,000	$393,757

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$20,076,272**	**$20,076,272**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(1,584,741)	(1,584,741)
5. Side account earnings during 2011		536,239	536,239
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$19,025,770**	**$19,025,770**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$8,918,578	$9,416,485
Side Account 2	10,107,192	10,659,787
Side Account 3	0	0
Total	**$19,025,770**	**$20,076,272**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$19,025,770	$20,076,272
2. Combined valuation payroll	10,152,281	10,944,252
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(16.12%)	(15.12%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

September 28, 2012
Three Rivers U J School District/4338

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

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

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

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

September 28, 2012
Three Rivers U J School District/4338

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Three Rivers U J School District -- #4338

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Three Rivers U J School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Three Rivers U J School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(9.01%)	(9.01%)	(9.01%)
Net pension contribution rate	**17.09%**	**15.19%**	**17.92%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.68%**	**15.68%**	**18.41%**

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 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 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.54%	10.12%	12.83%
July 1, 2013 to June 30, 2015	17.09%	15.19%	17.92%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Three Rivers U J School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$52,610,217	$49,695,812
Allocated pooled OPSRP UAL	356,779	312,297
Side account	21,893,522	23,179,739
Net unfunded pension actuarial accrued liability	31,073,474	26,828,370
Combined valuation payroll	20,910,292	25,152,282
Net pension UAL as a percentage of payroll	149%	107%
Calculated Side Account Rate Relief	(9.01%)	(7.59%)
Allocated Pooled RHIA UAL	$541,692	$904,939

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$23,179,739**	**$23,179,739**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,905,167)	(1,905,167)
5. Side account earnings during 2011		619,950	619,950
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$21,893,522**	**$21,893,522**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$21,893,522	$23,179,739
Side Account 2	0	0
Side Account 3	0	0
Total	**$21,893,522**	**$23,179,739**

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, 2011	December 31, 2010
1. Total side account	$21,893,522	$23,179,739
2. Combined valuation payroll	20,910,292	25,152,282
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.01%)	(7.59%)

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

Brief Summary of 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

September 28, 2012
Tigard-Tualatin School District #23J/4316

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

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

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Tigard-Tualatin School District #23J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Tigard-Tualatin School District #23J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(3.70%)	(3.70%)	(3.70%)
Net pension contribution rate	**22.40%**	**20.50%**	**23.23%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.99%**	**20.99%**	**23.72%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	15.08%	13.66%	16.37%
July 1, 2013 to June 30, 2015	22.40%	20.50%	23.23%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Tigard-Tualatin School District #23J

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$144,615,043	$116,922,155
Allocated pooled OPSRP UAL	980,715	734,758
Side account	24,741,474	26,684,088
Net unfunded pension actuarial accrued liability	120,854,284	90,972,825
Combined valuation payroll	57,478,242	59,177,200
Net pension UAL as a percentage of payroll	210%	154%
Calculated Side Account Rate Relief	(3.70%)	(3.72%)
Allocated Pooled RHIA UAL	$1,489,003	$2,129,102

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$26,684,088**	**$26,684,088**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(2,687,248)	(2,687,248)
5. Side account earnings during 2011		745,634	745,634
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$24,741,474**	**$24,741,474**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$24,741,474	$26,684,088
Side Account 2	0	0
Side Account 3	0	0
Total	**$24,741,474**	**$26,684,088**

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, 2011	December 31, 2010
1. Total side account	$24,741,474	$26,684,088
2. Combined valuation payroll	57,478,242	59,177,200
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.70%)	(3.72%)

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

Brief Summary of 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.

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September 28, 2012

Tillamook Public Schools/3902
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

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

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

The consultants who worked on this assignment are 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.

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

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.

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Tillamook Public Schools -- #3902

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Tillamook Public Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Tillamook Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Tillamook Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(17.55%)	(17.55%)	(17.55%)
Net pension contribution rate	**8.55%**	**6.65%**	**9.38%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**9.14%**	**7.14%**	**9.87%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	3.03%	1.61%	4.32%
July 1, 2013 to June 30, 2015	8.55%	6.65%	9.38%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Tillamook Public Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$23,061,229	$18,892,537
Allocated pooled OPSRP UAL	156,391	118,724
Side account	18,703,607	19,748,964
Net unfunded pension actuarial accrued liability	4,514,013	(737,703)
Combined valuation payroll	9,165,844	9,561,981
Net pension UAL as a percentage of payroll	49%	(8%)
Calculated Side Account Rate Relief	(17.55%)	(17.02%)
Allocated Pooled RHIA UAL	$237,446	$344,025

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	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%

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, 2010	**N/A**	**$19,748,964**	**$19,748,964**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(1,561,990)	(1,561,990)
5. Side account earnings during 2011		517,634	517,634
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$18,703,607**	**$18,703,607**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$18,703,607	$19,748,964
Side Account 2	0	0
Side Account 3	0	0
Total	**$18,703,607**	**$19,748,964**

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, 2011	December 31, 2010
1. Total side account	$18,703,607	$19,748,964
2. Combined valuation payroll	9,165,844	9,561,981
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(17.55%)	(17.02%)

[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 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

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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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

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

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

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

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

September 28, 2012
Umatilla School District #6R/3928

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

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

The consultants who worked on this assignment are 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.

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

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

SCHOOL DISTRICT POOL

Umatilla School District #6R -- #3928

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Umatilla School District #6R.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Umatilla School District #6R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(5.57%)	(5.57%)	(5.57%)
Net pension contribution rate	**20.53%**	**18.63%**	**21.36%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**21.12%**	**19.12%**	**21.85%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	13.96%	12.54%	15.25%
July 1, 2013 to June 30, 2015	20.53%	18.63%	21.36%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Umatilla School District #6R

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$15,312,673	$12,041,432
Allocated pooled OPSRP UAL	103,844	75,670
Side account	3,941,345	4,189,144
Net unfunded pension actuarial accrued liability	11,475,172	7,927,958
Combined valuation payroll	6,086,127	6,094,467
Net pension UAL as a percentage of payroll	189%	130%
Calculated Side Account Rate Relief	(5.57%)	(5.66%)
Allocated Pooled RHIA UAL	$157,664	$219,269

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$4,189,144**	**$4,189,144**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(358,621)	(358,621)
5. Side account earnings during 2011		111,822	111,822
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,941,345**	**$3,941,345**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,941,345	$4,189,144
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,941,345**	**$4,189,144**

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, 2011	December 31, 2010
1. Total side account	$3,941,345	$4,189,144
2. Combined valuation payroll	6,086,127	6,094,467
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.57%)	(5.66%)

[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 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.

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September 28, 2012

Union County School District/3966
Oregon Public Employees Retirement System

Dear Sir or Madam:

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

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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,
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- 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 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.

September 28, 2012
Union County School District/3966

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

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

The consultants who worked on this assignment are 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.

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

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.

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Union County School District -- #3966

SEPTEMBER 2012

CONTENTS

Executive Summary

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

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Union County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Union County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.99%)	(8.99%)	(8.99%)
Net pension contribution rate	**17.11%**	**15.21%**	**17.94%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.70%**	**15.70%**	**18.43%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.09%	9.67%	12.38%
July 1, 2013 to June 30, 2015	17.11%	15.21%	17.94%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Union County School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$4,583,446	$3,502,800
Allocated pooled OPSRP UAL	31,083	22,012
Side account	1,905,032	2,019,453
Net unfunded pension actuarial accrued liability	2,709,497	1,505,359
Combined valuation payroll	1,821,722	1,772,854
Net pension UAL as a percentage of payroll	149%	85%
Calculated Side Account Rate Relief	(8.99%)	(9.39%)
Allocated Pooled RHIA UAL	$47,193	$63,784

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$2,019,453**	**$2,019,453**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(167,431)	(167,431)
5. Side account earnings during 2011		54,010	54,010
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,905,032**	**$1,905,032**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,905,032	$2,019,453
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,905,032**	**$2,019,453**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$1,905,032	$2,019,453
2. Combined valuation payroll	1,821,722	1,772,854
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(8.99%)	(9.39%)

[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 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.

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September 28, 2012

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

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

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

Milliman

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

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

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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
Warrenton-Hammond School District/3195

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Warrenton-Hammond School District -- #3195

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Warrenton-Hammond School District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Warrenton-Hammond School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Warrenton-Hammond School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(7.39%)	(7.39%)	(7.39%)
Net pension contribution rate	**18.71%**	**16.81%**	**19.54%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**19.30%**	**17.30%**	**20.03%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

[1] *Includes Multnomah Fire District #10 rate.*

[2] *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.28%	9.86%	12.57%
July 1, 2013 to June 30, 2015	18.71%	16.81%	19.54%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Warrenton-Hammond School District

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$10,542,983	$8,443,791
Allocated pooled OPSRP UAL	71,498	53,062
Side account	3,597,940	3,915,083
Net unfunded pension actuarial accrued liability	7,016,541	4,581,770
Combined valuation payroll	4,190,381	4,273,612
Net pension UAL as a percentage of payroll	167%	107%
Calculated Side Account Rate Relief	(7.39%)	(7.55%)
Allocated Pooled RHIA UAL	$108,554	$153,758

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	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%

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, 2010	**N/A**	**$3,915,083**	**$3,915,083**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(419,880)	(419,880)
5. Side account earnings during 2011		103,736	103,736
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$3,597,940**	**$3,597,940**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$3,597,940	$3,915,083
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,597,940**	**$3,915,083**

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, 2011	December 31, 2010
1. Total side account	$3,597,940	$3,915,083
2. Combined valuation payroll	4,190,381	4,273,612
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.39%)	(7.55%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of 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.

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September 28, 2012

West Linn School District/3075
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in 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.

September 28, 2012
West Linn School District/3075

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

West Linn School District -- #3075

SEPTEMBER 2012

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Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for West Linn School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(8.08%)	(8.08%)	(8.08%)
Net pension contribution rate	**18.02%**	**16.12%**	**18.85%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**18.61%**	**16.61%**	**19.34%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	11.76%	10.34%	13.05%
July 1, 2013 to June 30, 2015	18.02%	16.12%	18.85%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

West Linn School District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$90,730,645	$75,762,176
Allocated pooled OPSRP UAL	615,295	476,102
Side account	33,869,734	36,235,910
Net unfunded pension actuarial accrued liability	57,476,206	40,002,368
Combined valuation payroll	36,061,518	38,345,115
Net pension UAL as a percentage of payroll	159%	104%
Calculated Side Account Rate Relief	(8.08%)	(7.79%)
Allocated Pooled RHIA UAL	$934,192	$1,379,597

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$36,235,910**	**$36,235,910**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(3,360,759)	(3,360,759)
5. Side account earnings during 2011		995,583	995,583
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$33,869,734**	**$33,869,734**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$33,869,734	$36,235,910
Side Account 2	0	0
Side Account 3	0	0
Total	**$33,869,734**	**$36,235,910**

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, 2011	December 31, 2010
1. Total side account	$33,869,734	$36,235,910
2. Combined valuation payroll	36,061,518	38,345,115
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.08%)	(7.79%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of 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.

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September 28, 2012

Willamette Education Service District/4254
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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
Willamette Education Service District/4254

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

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.

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Willamette Education Service District -- #4254

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Willamette Education Service District to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Willamette Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Willamette Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(11.51%)	(11.51%)	(11.51%)
Net pension contribution rate	**14.59%**	**12.69%**	**15.42%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**15.18%**	**13.18%**	**15.91%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

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Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	10.31%	8.89%	11.60%
July 1, 2013 to June 30, 2015	14.59%	12.69%	15.42%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Willamette Education Service District

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$43,327,383	$40,925,983
Allocated pooled OPSRP UAL	293,827	257,186
Side account	23,047,014	24,302,911
Net unfunded pension actuarial accrued liability	20,574,196	16,880,258
Combined valuation payroll	17,220,766	20,713,654
Net pension UAL as a percentage of payroll	119%	81%
Calculated Side Account Rate Relief	(11.51%)	(9.67%)
Allocated Pooled RHIA UAL	$446,113	$745,245

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$24,302,911**	**$24,302,911**
2. Deposits during 2011		N/A	
3. Administrative expenses		(3,000)	(3,000)
4. Amount transferred to employer reserves during 2011		(1,899,246)	(1,899,246)
5. Side account earnings during 2011		646,349	646,349
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$23,047,014**	**$23,047,014**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$16,260,632	$17,144,348
Side Account 2	3,800,439	4,004,060
Side Account 3	2,985,943	3,154,503
Total	**$23,047,014**	**$24,302,911**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2011	December 31, 2010
1. Total side account	$23,047,014	$24,302,911
2. Combined valuation payroll	17,220,766	20,713,654
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.51%)	(9.67%)

[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 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.

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September 28, 2012

Willamina School District #30J/4314
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Willamina School District #30J/4314

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

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

SCHOOL DISTRICT POOL

Willamina School District #30J -- #4314

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Willamina School District #30J to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Willamina School District #30J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Willamina School District #30J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(3.85%)	(3.85%)	(3.85%)
Net pension contribution rate	**22.25%**	**20.35%**	**23.08%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**22.84%**	**20.84%**	**23.57%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	15.55%	14.13%	16.84%
July 1, 2013 to June 30, 2015	22.25%	20.35%	23.08%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Willamina School District #30J

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$9,284,960	$8,716,398
Allocated pooled OPSRP UAL	62,966	54,775
Side account	1,651,750	1,767,190
Net unfunded pension actuarial accrued liability	7,696,176	7,003,983
Combined valuation payroll	3,690,371	4,411,585
Net pension UAL as a percentage of payroll	209%	159%
Calculated Side Account Rate Relief	(3.85%)	(3.30%)
Allocated Pooled RHIA UAL	$95,601	$158,722

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$1,767,190**	**$1,767,190**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(162,394)	(162,394)
5. Side account earnings during 2011		47,954	47,954
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$1,651,750**	**$1,651,750**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$1,651,750	$1,767,190
Side Account 2	0	0
Side Account 3	0	0
Total	**$1,651,750**	**$1,767,190**

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, 2011	December 31, 2010
1. Total side account	$1,651,750	$1,767,190
2. Combined valuation payroll	3,690,371	4,411,585
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(3.85%)	(3.30%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of 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.

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September 28, 2012

Winston-Dillard Schools/3349
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

Milliman

September 28, 2012
Winston-Dillard Schools/3349

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

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
Winston-Dillard Schools/3349

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

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

SCHOOL DISTRICT POOL

Winston-Dillard Schools -- #3349

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Winston-Dillard Schools to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Winston-Dillard Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Winston-Dillard Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(21.34%)	(21.34%)	(21.34%)
Net pension contribution rate	**4.76%**	**2.86%**	**5.59%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**5.35%**	**3.35%**	**6.08%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.75%	0.33%	3.04%
July 1, 2013 to June 30, 2015	4.76%	2.86%	5.59%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Winston-Dillard Schools

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled T1/T2 UAL	$14,970,040	$12,877,803
Allocated pooled OPSRP UAL	101,520	80,926
Side account	14,760,298	15,299,657
Net unfunded pension actuarial accrued liability	311,262	(2,340,928)
Combined valuation payroll	5,949,945	6,517,775
Net pension UAL as a percentage of payroll	5%	(36%)
Calculated Side Account Rate Relief	(21.34%)	(19.35%)
Allocated Pooled RHIA UAL	$154,136	$234,499

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**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%

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, 2010	**N/A**	**$15,299,657**	**$15,299,657**
2. Deposits during 2011		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2011		(938,741)	(938,741)
5. Side account earnings during 2011		401,382	401,382
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$14,760,298**	**$14,760,298**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$6,609,937	$6,855,744
Side Account 2	8,150,361	8,443,913
Side Account 3	0	0
Total	**$14,760,298**	**$15,299,657**

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, 2011	December 31, 2010
1. Total side account	$14,760,298	$15,299,657
2. Combined valuation payroll	5,949,945	6,517,775
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.34%)	(19.35%)

[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 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.

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September 28, 2012

Yamhill-Carlton School District #1/4166
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 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 Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide 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 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide 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.

September 28, 2012
Yamhill-Carlton School District #1/4166

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are 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.

Additional information is provided in the system-wide valuation report.

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

SCHOOL DISTRICT POOL

Yamhill-Carlton School District #1 -- #4166

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for Yamhill-Carlton School District #1 to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015,
- Provide employer-specific information on side accounts as of December 31, 2011, and
- 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 the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Yamhill-Carlton School District #1.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2013 through June 30, 2015, 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, 2013, for Yamhill-Carlton School District #1

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	8.17%	6.27%	9.00%
Tier 1/Tier 2 UAL rate [1]	17.78%	17.78%	17.78%
OPSRP UAL rate	0.15%	0.15%	0.15%
Side account rate relief [2]	(19.62%)	(19.62%)	(19.62%)
Net pension contribution rate	**6.48%**	**4.58%**	**7.31%**
Retiree Healthcare			
Normal cost rate	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**7.07%**	**5.07%**	**7.80%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2015 to June 2017 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2015, which will depend on the funded status as of December 31, 2013. If the Pool's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2011 is 71%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost + T1/T2 UAL Rate	25.95%	25.95%
Minimum July 1, 2015 Rate	20.76%	15.57%
Maximum July 1, 2015 Rate	31.14%	36.33%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

We understand that employers participating in the School District Pool and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for the period July 1, 2013 through June 30, 2015 is calculated as a part of this valuation. The December 31, 2009, actuarial valuation calculated the contractually required contribution for the period from July 1, 2011 through June 30, 2013. The contractually required contribution is expressed as contribution rates that are applied to the appropriate payroll for the contribution rate period. 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
July 1, 2011 to June 30, 2013	1.66%	0.24%	2.95%
July 1, 2013 to June 30, 2015	6.48%	4.58%	7.31%

If a side account is established after December 31, 2009 and prior to December 31, 2011, the July 1, 2011 to June 30, 2013 contractually required contribution rate should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

If a side account is established after December 31, 2011, both the July 1, 2011 to June 30, 2013 and the July 1, 2013 to June 30, 2015 contractually required contribution rates should be adjusted to reflect the change in required contribution rate for the period the new side account provides rate relief.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The contractually required contribution for retiree healthcare liabilities for the period July 1, 2013 through June 30, 2015 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 and Fire
July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%

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.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Yamhill-Carlton School District #1

	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Allocated pooled T1/T2 UAL	$12,224,620	$9,865,850
Allocated pooled OPSRP UAL	82,902	61,999
Side account	11,080,875	11,481,961
Net unfunded pension actuarial accrued liability	1,226,647	(1,554,112)
Combined valuation payroll	4,858,759	4,993,351
Net pension UAL as a percentage of payroll	25%	(31%)
Calculated Side Account Rate Relief	(19.62%)	(18.95%)
Allocated Pooled RHIA UAL	$125,869	$179,653

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Normal cost	$153.7	$156.6
Tier 1/Tier 2 valuation payroll	1,880.7	2,027.5
Normal cost rate	8.17%	7.72%
Actuarial accrued liability	$23,973.7	$23,303.3
Actuarial asset value	16,964.3	17,473.3
Unfunded actuarial accrued liability	7,009.5	5,829.9
Funded status	71%	75%
Combined valuation payroll	$2,786.0	$2,950.7
UAL as a percentage of payroll	252%	198%
UAL rate (includes Multnomah Fire District #10)	17.78%	15.35%
Tier 1/Tier 2 Active Members		
▪ Count	38,381	42,545
▪ Average Age	50.6	50.2
▪ Average Service	16.0	15.3
▪ Average Valuation Payroll	$49,000	$47,655
Tier 1/Tier 2 Dormant Members		
▪ Count	15,003	14,432
▪ Average Age	53.4	53.2
▪ Average Monthly Benefit	$1,006	$1,157
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	58,641	56,566
▪ Average Age	71.0	70.9
▪ Average Monthly Benefit	$1,999	$1,945

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of December 31, 2010
General service normal cost	$165.3	$154.7
OPSRP general service valuation payroll	2,634.7	2,541.9
General service normal cost rate	6.27%	6.08%
Police and fire normal cost	$27.7	$24.5
OPSRP police and fire valuation payroll	307.9	277.8
Police and fire normal cost rate	9.00%	8.82%
Actuarial accrued liability	$986.4	$767.6
Actuarial asset value	840.5	659.0
Unfunded actuarial accrued liability	145.9	108.6
Funded status	85%	86%
Combined valuation payroll	$8,550.5	$8,750.1
UAL as a percentage of payroll	2%	1%
UAL rate	0.15%	0.10%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2011	Actuarial Valuation as of 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%

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, 2010	**N/A**	**$11,481,961**	**$11,481,961**
2. Deposits during 2011		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2011		(703,552)	(703,552)
5. Side account earnings during 2011		303,466	303,466
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***		**$11,080,875**	**$11,080,875**

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	$11,080,875	$11,481,961
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,080,875**	**$11,481,961**

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, 2011	December 31, 2010
1. Total side account	$11,080,875	$11,481,961
2. Combined valuation payroll	4,858,759	4,993,351
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(19.62%)	(18.95%)

[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 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.

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