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

September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gaston Public Schools -- #4034

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Gaston Public Schools to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Gaston Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(21.65%)	(21.65%)	(21.65%)
Net pension contribution rate	**0.15%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.68%**	**0.45%**	**0.45%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$2,792,410	$3,892,164
Allocated pooled OPSRP UAL	157,013	163,670
Side account	5,146,075	4,790,672
Net unfunded pension actuarial accrued liability	(2,196,652)	(734,838)
Combined valuation payroll	2,220,645	2,322,131
Net pension UAL as a percentage of payroll	(99%)	(32%)
Calculated Side Account Rate Relief	(21.65%)	(18.30%)
Allocated Pooled RHIA UAL	$30,736	$48,719

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$4,790,672**	**$4,790,672**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(379,833)	(379,833)
5. Side account earnings during 2013		737,235	737,235
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$5,146,075**	**$5,146,075**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$2,218,676	$2,067,405
Side Account 2	2,927,398	2,723,267
Side Account 3	0	0
Total	**$5,146,075**	**$4,790,672**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$5,146,075	$4,790,672
2. Combined valuation payroll	2,220,645	2,322,131
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.65%)	(18.30%)

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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Gervais School District #1/4329
Oregon Public Employees Retirement System

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September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gervais School District #1 -- #4329

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Gervais School District #1 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Gervais School District #1

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(19.74%)	(19.74%)	(19.74%)
Net pension contribution rate	**2.06%**	**0.00%**	**1.56%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**2.59%**	**0.45%**	**2.01%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$7,036,982	$9,544,566
Allocated pooled OPSRP UAL	395,679	401,361
Side account	11,824,284	10,983,016
Net unfunded pension actuarial accrued liability	(4,391,623)	(1,037,089)
Combined valuation payroll	5,596,112	5,694,450
Net pension UAL as a percentage of payroll	(78%)	(18%)
Calculated Side Account Rate Relief	(19.74%)	(17.11%)
Allocated Pooled RHIA UAL	$77,456	$119,472

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$10,983,016**	**$10,983,016**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(843,549)	(843,549)
5. Side account earnings during 2013		1,685,817	1,685,817
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$11,824,284**	**$11,824,284**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$11,824,284	$10,983,016
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,824,284**	**$10,983,016**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$11,824,284	$10,983,016
2. Combined valuation payroll	5,596,112	5,694,450
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(19.74%)	(17.11%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gladstone School District #115 -- #3160

September 2014

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Executive Summary

Milliman has prepared this report for Gladstone School District #115 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Gladstone School District #115

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(26.60%)	(26.60%)	(26.60%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.53%**	**0.45%**	**0.45%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$9,823,266	$13,148,470
Allocated pooled OPSRP UAL	552,348	552,909
Side account	22,238,977	20,410,585
Net unfunded pension actuarial accrued liability	(11,863,363)	(6,709,206)
Combined valuation payroll	7,811,885	7,844,600
Net pension UAL as a percentage of payroll	(152%)	(86%)
Calculated Side Account Rate Relief	(26.60%)	(23.08%)
Allocated Pooled RHIA UAL	$108,125	$164,583

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$20,410,585**	**$20,410,585**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,326,033)	(1,326,033)
5. Side account earnings during 2013		3,155,424	3,155,424
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$22,238,977**	**$22,238,977**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$22,238,977	$20,410,585
Side Account 2	0	0
Side Account 3	0	0
Total	**$22,238,977**	**$20,410,585**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$22,238,977	$20,410,585
2. Combined valuation payroll	7,811,885	7,844,600
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(26.60%)	(23.08%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

Glide 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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
Glide 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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Glide School District #12 -- #3316

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Glide School District #12 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Glide School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(11.64%)	(11.64%)	(11.64%)
Net pension contribution rate	**10.16%**	**5.55%**	**9.66%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**10.69%**	**6.00%**	**10.11%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$3,908,071	$5,280,153
Allocated pooled OPSRP UAL	219,745	222,037
Side account	3,871,692	3,537,952
Net unfunded pension actuarial accrued liability	256,124	1,964,238
Combined valuation payroll	3,107,867	3,150,229
Net pension UAL as a percentage of payroll	8%	62%
Calculated Side Account Rate Relief	(11.64%)	(9.96%)
Allocated Pooled RHIA UAL	$43,016	$66,093

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$3,537,952**	**$3,537,952**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(215,833)	(215,833)
5. Side account earnings during 2013		550,573	550,573
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$3,871,692**	**$3,871,692**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$3,871,692	$3,537,952
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,871,692**	**$3,537,952**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$3,871,692	$3,537,952
2. Combined valuation payroll	3,107,867	3,150,229
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(11.64%)	(9.96%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Greater Albany School District #8J -- #4260

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Greater Albany School District #8J to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Greater Albany School District #8J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(9.65%)	(9.65%)	(9.65%)
Net pension contribution rate	**12.15%**	**7.54%**	**11.65%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**12.68%**	**7.99%**	**12.10%**

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 2017 to June 2019 Biennium

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Greater Albany School District #8J

	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$49,959,318	$66,282,708
Allocated pooled OPSRP UAL	2,809,139	2,787,268
Side account	41,015,478	38,020,001
Net unfunded pension actuarial accrued liability	11,752,979	31,049,975
Combined valuation payroll	39,729,805	39,545,387
Net pension UAL as a percentage of payroll	30%	79%
Calculated Side Account Rate Relief	(9.65%)	(8.53%)
Allocated Pooled RHIA UAL	$549,903	$829,679

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
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▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$38,020,001**	**$38,020,001**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,863,652)	(2,863,652)
5. Side account earnings during 2013		5,860,129	5,860,129
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$41,015,478**	**$41,015,478**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$41,015,478	$38,020,001
Side Account 2	0	0
Side Account 3	0	0
Total	**$41,015,478**	**$38,020,001**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$41,015,478	$38,020,001
2. Combined valuation payroll	39,729,805	39,545,387
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(9.65%)	(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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Gresham-Barlow School District #10 -- #4332

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Gresham-Barlow School District #10 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Gresham-Barlow School District #10

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(13.15%)	(13.15%)	(13.15%)
Net pension contribution rate	**8.65%**	**4.04%**	**8.15%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**9.18%**	**4.49%**	**8.60%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$64,632,190	$87,432,725
Allocated pooled OPSRP UAL	3,634,173	3,676,651
Side account	72,358,579	67,733,139
Net unfunded pension actuarial accrued liability	(4,092,216)	23,376,237
Combined valuation payroll	51,398,305	52,163,846
Net pension UAL as a percentage of payroll	(8%)	45%
Calculated Side Account Rate Relief	(13.15%)	(11.52%)
Allocated Pooled RHIA UAL	$711,408	$1,094,420

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. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$67,733,139**	**$67,733,139**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(5,728,700)	(5,728,700)
5. Side account earnings during 2013		10,356,141	10,356,141
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$72,358,579**	**$72,358,579**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$42,749,974	$40,017,222
Side Account 2	29,608,606	27,715,917
Side Account 3	0	0
Total	**$72,358,579**	**$67,733,139**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$72,358,579	$67,733,139
2. Combined valuation payroll	51,398,305	52,163,846
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.15%)	(11.52%)

[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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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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 Tier 1/Tier 2 normal cost rate.

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Harney County School District #3 -- #4326

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Harney County School District #3 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Harney County School District #3

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(36.30%)	(36.30%)	(36.30%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.53%**	**0.45%**	**0.45%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$5,065,011	$7,220,678
Allocated pooled OPSRP UAL	284,798	303,638
Side account	15,648,453	14,249,405
Net unfunded pension actuarial accrued liability	(10,298,644)	(6,725,089)
Combined valuation payroll	4,027,915	4,307,979
Net pension UAL as a percentage of payroll	(256%)	(156%)
Calculated Side Account Rate Relief	(36.30%)	(29.35%)
Allocated Pooled RHIA UAL	$55,751	$90,383

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$14,249,405**	**$14,249,405**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(813,067)	(813,067)
5. Side account earnings during 2013		2,214,115	2,214,115
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$15,648,453**	**$15,648,453**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$6,837,713	$6,224,327
Side Account 2	8,810,741	8,025,077
Side Account 3	0	0
Total	**$15,648,453**	**$14,249,405**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$15,648,453	$14,249,405
2. Combined valuation payroll	4,027,915	4,307,979
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(36.30%)	(29.35%)

[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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 2014
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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hermiston School District #8R -- #4258

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Hermiston School District #8R to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Hermiston School District #8R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(10.34%)	(10.34%)	(10.34%)
Net pension contribution rate	**11.46%**	**6.85%**	**10.96%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**11.99%**	**7.30%**	**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 2017 to June 2019 Biennium

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$26,305,231	$33,598,876
Allocated pooled OPSRP UAL	1,479,104	1,412,873
Side account	23,136,072	21,618,681
Net unfunded pension actuarial accrued liability	4,648,263	13,393,068
Combined valuation payroll	20,919,054	20,045,659
Net pension UAL as a percentage of payroll	22%	67%
Calculated Side Account Rate Relief	(10.34%)	(9.56%)
Allocated Pooled RHIA UAL	$289,542	$420,566

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$21,618,681**	**$21,618,681**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,789,887)	(1,789,887)
5. Side account earnings during 2013		3,309,277	3,309,277
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$23,136,072**	**$23,136,072**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$15,194,864	$14,197,162
Side Account 2	7,941,208	7,421,520
Side Account 3	0	0
Total	**$23,136,072**	**$21,618,681**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$23,136,072	$21,618,681
2. Combined valuation payroll	20,919,054	20,045,659
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.34%)	(9.56%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

High Desert Education Service District -- #4252

September 2014

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Executive Summary

Milliman has prepared this report for High Desert Education Service District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for High Desert Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(10.28%)	(10.28%)	(10.28%)
Net pension contribution rate	**11.52%**	**6.91%**	**11.02%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**12.05%**	**7.36%**	**11.47%**

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 2017 to June 2019 Biennium

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$12,416,552	$17,330,396
Allocated pooled OPSRP UAL	698,164	728,764
Side account	10,869,489	10,024,146
Net unfunded pension actuarial accrued liability	2,245,227	8,035,014
Combined valuation payroll	9,874,178	10,339,608
Net pension UAL as a percentage of payroll	23%	78%
Calculated Side Account Rate Relief	(10.28%)	(8.60%)
Allocated Pooled RHIA UAL	$136,669	$216,929

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$10,024,146**	**$10,024,146**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(703,514)	(703,514)
5. Side account earnings during 2013		1,549,857	1,549,857
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$10,869,489**	**$10,869,489**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$10,869,489	$10,024,146
Side Account 2	0	0
Side Account 3	0	0
Total	**$10,869,489**	**$10,024,146**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$10,869,489	$10,024,146
2. Combined valuation payroll	9,874,178	10,339,608
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(10.28%)	(8.60%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hillsboro School District #1J -- #4341

September 2014

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Milliman has prepared this report for Hillsboro School District #1J to:

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- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Hillsboro School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(8.57%)	(8.57%)	(8.57%)
Net pension contribution rate	**13.23%**	**8.62%**	**12.73%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.76%**	**9.07%**	**13.18%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$122,117,127	$165,044,216
Allocated pooled OPSRP UAL	6,866,467	6,940,308
Side account	89,120,312	83,207,575
Net unfunded pension actuarial accrued liability	39,863,282	88,776,949
Combined valuation payroll	97,112,807	98,468,177
Net pension UAL as a percentage of payroll	41%	90%
Calculated Side Account Rate Relief	(8.57%)	(7.50%)
Allocated Pooled RHIA UAL	$1,344,145	$2,065,904

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$83,207,575**	**$83,207,575**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(6,847,437)	(6,847,437)
5. Side account earnings during 2013		12,761,174	12,761,174
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$89,120,312**	**$89,120,312**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$89,120,312	$83,207,575
Side Account 2	0	0
Side Account 3	0	0
Total	**$89,120,312**	**$83,207,575**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$89,120,312	$83,207,575
2. Combined valuation payroll	97,112,807	98,468,177
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.57%)	(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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Hood River County School District -- #3409

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Hood River County School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Hood River County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(11.07%)	(11.07%)	(11.07%)
Net pension contribution rate	**10.73%**	**6.12%**	**10.23%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**11.26%**	**6.57%**	**10.68%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$27,788,885	$37,963,105
Allocated pooled OPSRP UAL	1,562,528	1,596,394
Side account	26,202,395	24,463,782
Net unfunded pension actuarial accrued liability	3,149,018	15,095,717
Combined valuation payroll	22,098,920	22,649,432
Net pension UAL as a percentage of payroll	14%	67%
Calculated Side Account Rate Relief	(11.07%)	(9.59%)
Allocated Pooled RHIA UAL	$305,873	$475,195

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$24,463,782**	**$24,463,782**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(2,017,054)	(2,017,054)
5. Side account earnings during 2013		3,757,667	3,757,667
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$26,202,395**	**$26,202,395**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$16,588,412	$15,486,687
Side Account 2	9,613,983	8,977,095
Side Account 3	0	0
Total	**$26,202,395**	**$24,463,782**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$26,202,395	$24,463,782
2. Combined valuation payroll	22,098,920	22,649,432
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(11.07%)	(9.59%)

[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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

InterMountain Education Service District -- #4223

September 2014

CONTENTS

Executive Summary

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

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for InterMountain Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(11.86%)	(11.86%)	(11.86%)
Net pension contribution rate	**9.94%**	**5.33%**	**9.44%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**10.47%**	**5.78%**	**9.89%**

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 2017 to June 2019 Biennium

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	**70% to 130%**	**Under 60% or Over 140%**
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$11,598,294	$16,449,544
Allocated pooled OPSRP UAL	652,155	691,723
Side account	11,711,925	10,750,184
Net unfunded pension actuarial accrued liability	538,524	6,391,083
Combined valuation payroll	9,223,464	9,814,077
Net pension UAL as a percentage of payroll	6%	65%
Calculated Side Account Rate Relief	(11.86%)	(9.71%)
Allocated Pooled RHIA UAL	$127,663	$205,904

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
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▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$10,750,184**	**$10,750,184**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(703,451)	(703,451)
5. Side account earnings during 2013		1,667,192	1,667,192
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$11,711,925**	**$11,711,925**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$3,969,125	$6,675,113
Side Account 2	7,742,799	4,075,071
Side Account 3	0	0
Total	**$11,711,925**	**$10,750,184**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$11,711,925	$10,750,184
2. Combined valuation payroll	9,223,464	9,814,077
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.86%)	(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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 2014
Jefferson School District #14Cj/3729

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

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

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

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

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

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Jefferson School District #14Cj -- #3729

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Jefferson School District #14Cj to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Jefferson School District #14Cj

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(17.90%)	(17.90%)	(17.90%)
Net pension contribution rate	**3.90%**	**0.00%**	**3.40%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**4.43%**	**0.45%**	**3.85%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$5,455,676	$7,246,966
Allocated pooled OPSRP UAL	306,765	304,744
Side account	8,312,911	7,695,251
Net unfunded pension actuarial accrued liability	(2,550,470)	(143,541)
Combined valuation payroll	4,338,589	4,323,663
Net pension UAL as a percentage of payroll	(59%)	(3%)
Calculated Side Account Rate Relief	(17.90%)	(15.79%)
Allocated Pooled RHIA UAL	$60,051	$90,712

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$7,695,251**	**$7,695,251**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(569,571)	(569,571)
5. Side account earnings during 2013		1,188,230	1,188,230
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$8,312,911**	**$8,312,911**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$8,312,911	$7,695,251
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,312,911**	**$7,695,251**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$8,312,911	$7,695,251
2. Combined valuation payroll	4,338,589	4,323,663
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(17.90%)	(15.79%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

John Day School District -- #4315

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for John Day School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for John Day School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(13.56%)	(13.56%)	(13.56%)
Net pension contribution rate	**8.24%**	**3.63%**	**7.74%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**8.77%**	**4.08%**	**8.19%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$3,995,555	$5,711,599
Allocated pooled OPSRP UAL	224,664	240,180
Side account	4,612,299	4,242,656
Net unfunded pension actuarial accrued liability	(392,080)	1,709,123
Combined valuation payroll	3,177,438	3,407,637
Net pension UAL as a percentage of payroll	(12%)	50%
Calculated Side Account Rate Relief	(13.56%)	(11.05%)
Allocated Pooled RHIA UAL	$43,979	$71,494

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$4,242,656**	**$4,242,656**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(284,397)	(284,397)
5. Side account earnings during 2013		655,040	655,040
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$4,612,299**	**$4,612,299**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$4,612,299	$4,242,656
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,612,299**	**$4,242,656**

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, 2013	December 31, 2012
1. Total side account	$4,612,299	$4,242,656
2. Combined valuation payroll	3,177,438	3,407,637
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(13.56%)	(11.05%)

[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 Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

La Grande Public Schools -- #3965

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for La Grande Public Schools to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for La Grande Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(12.81%)	(12.81%)	(12.81%)
Net pension contribution rate	**8.99%**	**4.38%**	**8.49%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**9.52%**	**4.83%**	**8.94%**

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 2017 to June 2019 Biennium

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$10,839,612	$14,837,126
Allocated pooled OPSRP UAL	609,495	623,919
Side account	11,821,689	10,947,564
Net unfunded pension actuarial accrued liability	(372,582)	4,513,481
Combined valuation payroll	8,620,127	8,852,081
Net pension UAL as a percentage of payroll	(4%)	51%
Calculated Side Account Rate Relief	(12.81%)	(10.97%)
Allocated Pooled RHIA UAL	$119,312	$185,720

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$10,947,564**	**$10,947,564**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(809,635)	(809,635)
5. Side account earnings during 2013		1,685,759	1,685,759
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$11,821,689**	**$11,821,689**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$9,401,896	$8,705,785
Side Account 2	2,419,793	2,241,779
Side Account 3	0	0
Total	**$11,821,689**	**$10,947,564**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$11,821,689	$10,947,564
2. Combined valuation payroll	8,620,127	8,852,081
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.81%)	(10.97%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

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

Milliman

September 2014
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.

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

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

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

Sincerely,

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

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lake Oswego School District -- #4268

September 2014

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Executive Summary

Milliman has prepared this report for Lake Oswego School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Lake Oswego School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(14.49%)	(14.49%)	(14.49%)
Net pension contribution rate	**7.31%**	**2.70%**	**6.81%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**7.84%**	**3.15%**	**7.26%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

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

Executive Summary

Accounting Information

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

Pension

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$39,792,167	$53,258,896
Allocated pooled OPSRP UAL	2,237,455	2,239,601
Side account	49,088,272	45,536,299
Net unfunded pension actuarial accrued liability	(7,058,650)	9,962,198
Combined valuation payroll	31,644,448	31,775,160
Net pension UAL as a percentage of payroll	(22%)	31%
Calculated Side Account Rate Relief	(14.49%)	(12.71%)
Allocated Pooled RHIA UAL	$437,993	$666,656

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

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Retiree Healthcare

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

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$45,536,299**	**$45,536,299**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(3,450,993)	(3,450,993)
5. Side account earnings during 2013		7,004,967	7,004,967
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$49,088,272**	**$49,088,272**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$29,807,899	$27,629,516
Side Account 2	19,280,373	17,906,783
Side Account 3	0	0
Total	**$49,088,272**	**$45,536,299**

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	$49,088,272	$45,536,299
2. Combined valuation payroll	31,644,448	31,775,160
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.49%)	(12.71%)

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

Brief Summary of Actuarial Methods and Assumptions

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

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

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

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

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

Changes in Actuarial Methods and Allocation Procedures

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

Changes in Assumptions

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

Brief Summary of Changes in Plan Provisions

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

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lane County Education Service District -- #4276

September 2014

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- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
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- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Lane County Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(8.40%)	(8.40%)	(8.40%)
Net pension contribution rate	**13.40%**	**8.79%**	**12.90%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.93%**	**9.24%**	**13.35%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$8,214,224	$15,966,511
Allocated pooled OPSRP UAL	461,874	671,411
Side account	5,875,895	5,372,792
Net unfunded pension actuarial accrued liability	2,800,203	11,265,130
Combined valuation payroll	6,532,305	9,525,891
Net pension UAL as a percentage of payroll	43%	118%
Calculated Side Account Rate Relief	(8.40%)	(5.00%)
Allocated Pooled RHIA UAL	$90,414	$199,857

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. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$5,372,792**	**$5,372,792**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(326,614)	(326,614)
5. Side account earnings during 2013		830,717	830,717
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$5,875,895**	**$5,875,895**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$5,875,895	$5,372,792
Side Account 2	0	0
Side Account 3	0	0
Total	**$5,875,895**	**$5,372,792**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$5,875,895	$5,372,792
2. Combined valuation payroll	6,532,305	9,525,891
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.40%)	(5.00%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Lincoln County School District -- #3579

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Lincoln County School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
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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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Lincoln County School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(36.93%)	(36.93%)	(36.93%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.53%**	**0.45%**	**0.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$23,124,490	$30,443,272
Allocated pooled OPSRP UAL	1,300,256	1,280,176
Side account	72,694,614	66,161,015
Net unfunded pension actuarial accrued liability	(48,269,868)	(34,437,567)
Combined valuation payroll	18,389,592	18,162,972
Net pension UAL as a percentage of payroll	(262%)	(190%)
Calculated Side Account Rate Relief	(36.93%)	(32.31%)
Allocated Pooled RHIA UAL	$254,532	$381,067

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$66,161,015**	**$66,161,015**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(3,757,106)	(3,757,106)
5. Side account earnings during 2013		10,292,705	10,292,705
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$72,694,614**	**$72,694,614**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$31,080,129	$28,323,116
Side Account 2	41,614,485	37,837,899
Side Account 3	0	0
Total	**$72,694,614**	**$66,161,015**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$72,694,614	$66,161,015
2. Combined valuation payroll	18,389,592	18,162,972
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(36.93%)	(32.31%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Madras School District -- #3447

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Madras School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Madras School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(8.34%)	(8.34%)	(8.34%)
Net pension contribution rate	**13.46%**	**8.85%**	**12.96%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.99%**	**9.30%**	**13.41%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$20,213,788	$27,983,119
Allocated pooled OPSRP UAL	1,136,592	1,176,724
Side account	14,340,693	13,362,276
Net unfunded pension actuarial accrued liability	7,009,687	15,797,567
Combined valuation payroll	16,074,876	16,695,203
Net pension UAL as a percentage of payroll	44%	95%
Calculated Side Account Rate Relief	(8.34%)	(7.10%)
Allocated Pooled RHIA UAL	$222,493	$350,272

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$13,362,276**	**$13,362,276**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,056,409)	(1,056,409)
5. Side account earnings during 2013		2,035,826	2,035,826
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$14,340,693**	**$14,340,693**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$14,340,693	$13,362,276
Side Account 2	0	0
Side Account 3	0	0
Total	**$14,340,693**	**$13,362,276**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$14,340,693	$13,362,276
2. Combined valuation payroll	16,074,876	16,695,203
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.34%)	(7.10%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

McMinnville Schools -- #4142

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for McMinnville Schools to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for McMinnville Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(9.05%)	(9.05%)	(9.05%)
Net pension contribution rate	**12.75%**	**8.14%**	**12.25%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.28%**	**8.59%**	**12.70%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$39,338,956	$51,727,861
Allocated pooled OPSRP UAL	2,211,972	2,175,219
Side account	30,300,623	28,235,495
Net unfunded pension actuarial accrued liability	11,250,305	25,667,585
Combined valuation payroll	31,284,035	30,861,719
Net pension UAL as a percentage of payroll	36%	83%
Calculated Side Account Rate Relief	(9.05%)	(8.11%)
Allocated Pooled RHIA UAL	$433,004	$647,492

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	**December 31, 2013**	**December 31, 2012**
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$28,235,495**	**$28,235,495**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(2,264,044)	(2,264,044)
5. Side account earnings during 2013		4,331,172	4,331,172
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$30,300,623**	**$30,300,623**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$18,233,669	$16,990,546
Side Account 2	12,066,954	11,244,949
Side Account 3	0	0
Total	**$30,300,623**	**$28,235,495**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$30,300,623	$28,235,495
2. Combined valuation payroll	31,284,035	30,861,719
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.05%)	(8.11%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Medford School District #549C -- #4288

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Medford School District #549C to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Medford School District #549C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(5.32%)	(5.32%)	(5.32%)
Net pension contribution rate	**16.48%**	**11.87%**	**15.98%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**17.01%**	**12.32%**	**16.43%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$64,068,805	$79,823,513
Allocated pooled OPSRP UAL	3,602,495	3,356,675
Side account	29,029,390	26,962,121
Net unfunded pension actuarial accrued liability	38,641,910	56,218,067
Combined valuation payroll	50,950,277	47,624,061
Net pension UAL as a percentage of payroll	76%	118%
Calculated Side Account Rate Relief	(5.32%)	(5.02%)
Allocated Pooled RHIA UAL	$705,206	$999,173

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$26,962,121**	**$26,962,121**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,077,829)	(2,077,829)
5. Side account earnings during 2013		4,146,097	4,146,097
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$29,029,390**	**$29,029,390**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$29,029,390	$26,962,121
Side Account 2	0	0
Side Account 3	0	0
Total	**$29,029,390**	**$26,962,121**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$29,029,390	$26,962,121
2. Combined valuation payroll	50,950,277	47,624,061
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(5.32%)	(5.02%)

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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
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Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Milton-Freewater Unified School District #7 -- #4335

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Milton-Freewater Unified School District #7 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Milton-Freewater Unified School District #7

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(19.55%)	(19.55%)	(19.55%)
Net pension contribution rate	**2.25%**	**0.00%**	**1.75%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**2.78%**	**0.45%**	**2.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$9,899,702	$14,074,615
Allocated pooled OPSRP UAL	556,646	591,855
Side account	16,477,261	15,061,169
Net unfunded pension actuarial accrued liability	(6,020,913)	(394,699)
Combined valuation payroll	7,872,670	8,397,154
Net pension UAL as a percentage of payroll	(76%)	(5%)
Calculated Side Account Rate Relief	(19.55%)	(15.91%)
Allocated Pooled RHIA UAL	$108,966	$176,176

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$15,061,169**	**$15,061,169**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(918,818)	(918,818)
5. Side account earnings during 2013		2,336,910	2,336,910
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$16,477,261**	**$16,477,261**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$7,611,043	$6,957,478
Side Account 2	8,866,217	8,103,691
Side Account 3	0	0
Total	**$16,477,261**	**$15,061,169**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$16,477,261	$15,061,169
2. Combined valuation payroll	7,872,670	8,397,154
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(19.55%)	(15.91%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

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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.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Molalla River School District -- #4331

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Molalla River School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Molalla River School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(26.51%)	(26.51%)	(26.51%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.53%**	**0.45%**	**0.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$13,119,209	$17,740,725
Allocated pooled OPSRP UAL	737,674	746,019
Side account	29,605,663	27,360,165
Net unfunded pension actuarial accrued liability	(15,748,780)	(8,873,421)
Combined valuation payroll	10,432,961	10,584,417
Net pension UAL as a percentage of payroll	(151%)	(84%)
Calculated Side Account Rate Relief	(26.51%)	(22.93%)
Allocated Pooled RHIA UAL	$144,403	$222,066

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$27,360,165**	**$27,360,165**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,973,875)	(1,973,875)
5. Side account earnings during 2013		4,221,373	4,221,373
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$29,605,663**	**$29,605,663**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$12,049,965	$11,181,241
Side Account 2	17,555,698	16,178,924
Side Account 3	0	0
Total	**$29,605,663**	**$27,360,165**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$29,605,663	$27,360,165
2. Combined valuation payroll	10,432,961	10,584,417
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(26.51%)	(22.93%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Monroe School District #1J/4340
Oregon Public Employees Retirement System

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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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September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Monroe School District #1J -- #4340

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Monroe School District #1J to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Monroe School District #1J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(8.59%)	(8.59%)	(8.59%)
Net pension contribution rate	**13.21%**	**8.60%**	**12.71%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.74%**	**9.05%**	**13.16%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$2,734,540	$3,920,935
Allocated pooled OPSRP UAL	153,759	164,880
Side account	2,000,317	1,865,796
Net unfunded pension actuarial accrued liability	887,982	2,220,019
Combined valuation payroll	2,174,624	2,339,296
Net pension UAL as a percentage of payroll	41%	95%
Calculated Side Account Rate Relief	(8.59%)	(7.08%)
Allocated Pooled RHIA UAL	$30,099	$49,079

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$1,865,796**	**$1,865,796**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(150,683)	(150,683)
5. Side account earnings during 2013		286,204	286,204
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$2,000,317**	**$2,000,317**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$2,000,317	$1,865,796
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,000,317**	**$1,865,796**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$2,000,317	$1,865,796
2. Combined valuation payroll	2,174,624	2,339,296
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(8.59%)	(7.08%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Morrow County Schools -- #3809

September 2014

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Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Morrow County Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(8.99%)	(8.99%)	(8.99%)
Net pension contribution rate	**12.81%**	**8.20%**	**12.31%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.34%**	**8.65%**	**12.76%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$11,714,060	$16,216,195
Allocated pooled OPSRP UAL	658,664	681,911
Side account	8,962,128	8,312,467
Net unfunded pension actuarial accrued liability	3,410,596	8,585,639
Combined valuation payroll	9,315,526	9,674,857
Net pension UAL as a percentage of payroll	37%	89%
Calculated Side Account Rate Relief	(8.99%)	(7.62%)
Allocated Pooled RHIA UAL	$128,937	$202,983

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. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$8,312,467**	**$8,312,467**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(629,770)	(629,770)
5. Side account earnings during 2013		1,280,431	1,280,431
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$8,962,128**	**$8,962,128**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$8,962,128	$8,312,467
Side Account 2	0	0
Side Account 3	0	0
Total	**$8,962,128**	**$8,312,467**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$8,962,128	$8,312,467
2. Combined valuation payroll	9,315,526	9,674,857
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(8.99%)	(7.62%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Multnomah Education Service District -- #4238

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Multnomah Education Service District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Multnomah Education Service District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(16.78%)	(16.78%)	(16.78%)
Net pension contribution rate	**5.02%**	**0.41%**	**4.52%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**5.55%**	**0.86%**	**4.97%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$22,114,827	$44,970,115
Allocated pooled OPSRP UAL	1,243,484	1,891,048
Side account	31,580,079	28,971,488
Net unfunded pension actuarial accrued liability	(8,221,768)	17,889,675
Combined valuation payroll	17,586,664	26,829,933
Net pension UAL as a percentage of payroll	(47%)	67%
Calculated Side Account Rate Relief	(16.78%)	(9.58%)
Allocated Pooled RHIA UAL	$243,418	$562,903

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$28,971,488**	**$28,971,488**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,858,924)	(1,858,924)
5. Side account earnings during 2013		4,468,515	4,468,515
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$31,580,079**	**$31,580,079**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$31,580,079	$28,971,488
Side Account 2	0	0
Side Account 3	0	0
Total	**$31,580,079**	**$28,971,488**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$31,580,079	$28,971,488
2. Combined valuation payroll	17,586,664	26,829,933
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(16.78%)	(9.58%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Nestucca Valley School District #101 -- #4336

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Nestucca Valley School District #101 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Nestucca Valley School District #101

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(7.49%)	(7.49%)	(7.49%)
Net pension contribution rate	**14.31%**	**9.70%**	**13.81%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**14.84%**	**10.15%**	**14.26%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$3,719,940	$4,378,136
Allocated pooled OPSRP UAL	209,167	184,106
Side account	2,371,646	2,214,649
Net unfunded pension actuarial accrued liability	1,557,461	2,347,593
Combined valuation payroll	2,958,257	2,612,070
Net pension UAL as a percentage of payroll	53%	90%
Calculated Side Account Rate Relief	(7.49%)	(7.52%)
Allocated Pooled RHIA UAL	$40,945	$54,802

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
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Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$2,214,649**	**$2,214,649**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(182,989)	(182,989)
5. Side account earnings during 2013		340,986	340,986
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$2,371,646**	**$2,371,646**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$2,371,646	$2,214,649
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,371,646**	**$2,214,649**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$2,371,646	$2,214,649
2. Combined valuation payroll	2,958,257	2,612,070
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(7.49%)	(7.52%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Newberg School District #29Jt -- #4135

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Newberg School District #29Jt to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Newberg School District #29Jt

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(16.69%)	(16.69%)	(16.69%)
Net pension contribution rate	**5.11%**	**0.50%**	**4.61%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**5.64%**	**0.95%**	**5.06%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$29,497,015	$38,188,234
Allocated pooled OPSRP UAL	1,658,574	1,605,861
Side account	41,893,720	39,071,356
Net unfunded pension actuarial accrued liability	(10,738,131)	722,739
Combined valuation payroll	23,457,299	22,783,748
Net pension UAL as a percentage of payroll	(46%)	3%
Calculated Side Account Rate Relief	(16.69%)	(15.21%)
Allocated Pooled RHIA UAL	$324,674	$478,013

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$39,071,356**	**$39,071,356**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(3,164,852)	(3,164,852)
5. Side account earnings during 2013		5,988,215	5,988,215
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$41,893,720**	**$41,893,720**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$41,893,720	$39,071,356
Side Account 2	0	0
Side Account 3	0	0
Total	**$41,893,720**	**$39,071,356**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$41,893,720	$39,071,356
2. Combined valuation payroll	23,457,299	22,783,748
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(16.69%)	(15.21%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Bend Public Schools -- #3245

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for North Bend Public Schools to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for North Bend Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(10.49%)	(10.49%)	(10.49%)
Net pension contribution rate	**11.31%**	**6.70%**	**10.81%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**11.84%**	**7.15%**	**11.26%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$11,147,576	$14,273,076
Allocated pooled OPSRP UAL	626,812	600,200
Side account	9,955,917	9,353,602
Net unfunded pension actuarial accrued liability	1,818,471	5,519,674
Combined valuation payroll	8,865,033	8,515,559
Net pension UAL as a percentage of payroll	21%	65%
Calculated Side Account Rate Relief	(10.49%)	(9.74%)
Allocated Pooled RHIA UAL	$122,702	$178,660

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$9,353,602**	**$9,353,602**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(826,412)	(826,412)
5. Side account earnings during 2013		1,429,727	1,429,727
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$9,955,917**	**$9,955,917**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$9,955,917	$9,353,602
Side Account 2	0	0
Side Account 3	0	0
Total	**$9,955,917**	**$9,353,602**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$9,955,917	$9,353,602
2. Combined valuation payroll	8,865,033	8,515,559
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(10.49%)	(9.74%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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Funded Status. The actuarial value of assets expressed as a percentage of the 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.

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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 Tier 1/Tier 2 normal cost rate.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Clackamas School District #12 -- #4321

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for North Clackamas School District #12 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for North Clackamas School District #12

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(17.01%)	(17.01%)	(17.01%)
Net pension contribution rate	**4.79%**	**0.18%**	**4.29%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**5.32%**	**0.63%**	**4.74%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$93,248,923	$124,849,505
Allocated pooled OPSRP UAL	5,243,250	5,250,072
Side account	135,030,569	124,840,178
Net unfunded pension actuarial accrued liability	(36,538,396)	5,259,399
Combined valuation payroll	74,155,566	74,487,331
Net pension UAL as a percentage of payroll	(49%)	7%
Calculated Side Account Rate Relief	(17.01%)	(14.87%)
Allocated Pooled RHIA UAL	$1,026,392	$1,562,776

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$124,840,178**	**$124,840,178**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(9,175,432)	(9,175,432)
5. Side account earnings during 2013		19,367,822	19,367,822
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$135,030,569**	**$135,030,569**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$60,492,944	$55,932,352
Side Account 2	74,537,625	68,907,826
Side Account 3	0	0
Total	**$135,030,569**	**$124,840,178**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$135,030,569	$124,840,178
2. Combined valuation payroll	74,155,566	74,487,331
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(17.01%)	(14.87%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Marion School District #15 -- #3730

September 2014

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Executive Summary

Milliman has prepared this report for North Marion School District #15 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for North Marion School District #15

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(14.72%)	(14.72%)	(14.72%)
Net pension contribution rate	**7.08%**	**2.47%**	**6.58%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**7.61%**	**2.92%**	**7.03%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$10,610,286	$14,282,157
Allocated pooled OPSRP UAL	596,601	600,582
Side account	13,293,133	12,297,684
Net unfunded pension actuarial accrued liability	(2,086,246)	2,585,055
Combined valuation payroll	8,437,757	8,520,977
Net pension UAL as a percentage of payroll	(25%)	30%
Calculated Side Account Rate Relief	(14.72%)	(12.80%)
Allocated Pooled RHIA UAL	$116,788	$178,774

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$12,297,684**	**$12,297,684**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(895,256)	(895,256)
5. Side account earnings during 2013		1,891,705	1,891,705
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$13,293,133**	**$13,293,133**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$13,293,133	$12,297,684
Side Account 2	0	0
Side Account 3	0	0
Total	**$13,293,133**	**$12,297,684**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$13,293,133	$12,297,684
2. Combined valuation payroll	8,437,757	8,520,977
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.72%)	(12.80%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Santiam School District #29J -- #4342

September 2014

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Executive Summary

Milliman has prepared this report for North Santiam School District #29J to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for North Santiam School District #29J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(17.55%)	(17.55%)	(17.55%)
Net pension contribution rate	**4.25%**	**0.00%**	**3.75%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**4.78%**	**0.45%**	**4.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$12,459,266	$18,319,662
Allocated pooled OPSRP UAL	700,566	770,364
Side account	18,615,555	17,303,064
Net unfunded pension actuarial accrued liability	(5,455,723)	1,786,962
Combined valuation payroll	9,908,146	10,929,821
Net pension UAL as a percentage of payroll	(55%)	16%
Calculated Side Account Rate Relief	(17.55%)	(14.04%)
Allocated Pooled RHIA UAL	$137,139	$229,312

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$17,303,064**	**$17,303,064**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,345,755)	(1,345,755)
5. Side account earnings during 2013		2,659,245	2,659,245
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$18,615,555**	**$18,615,555**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$18,615,555	$17,303,064
Side Account 2	0	0
Side Account 3	0	0
Total	**$18,615,555**	**$17,303,064**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$18,615,555	$17,303,064
2. Combined valuation payroll	9,908,146	10,929,821
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(17.55%)	(14.04%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

North Wasco County School District #21 -- #4381

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for North Wasco County School District #21 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for North Wasco County School District #21

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(12.73%)	(12.73%)	(12.73%)
Net pension contribution rate	**9.07%**	**4.46%**	**8.57%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**9.60%**	**4.91%**	**9.02%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$16,237,986	$22,743,326
Allocated pooled OPSRP UAL	913,038	956,384
Side account	17,600,335	16,322,102
Net unfunded pension actuarial accrued liability	(449,311)	7,377,608
Combined valuation payroll	12,913,147	13,569,054
Net pension UAL as a percentage of payroll	(3%)	54%
Calculated Side Account Rate Relief	(12.73%)	(10.67%)
Allocated Pooled RHIA UAL	$178,732	$284,685

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$16,322,102**	**$16,322,102**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,228,602)	(1,228,602)
5. Side account earnings during 2013		2,507,835	2,507,835
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$17,600,335**	**$17,600,335**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$17,600,335	$16,322,102
Side Account 2	0	0
Side Account 3	0	0
Total	**$17,600,335**	**$16,322,102**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$17,600,335	$16,322,102
2. Combined valuation payroll	12,913,147	13,569,054
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(12.73%)	(10.67%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Ontario School District #8C -- #3684

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Ontario School District #8C to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Ontario School District #8C

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(9.24%)	(9.24%)	(9.24%)
Net pension contribution rate	**12.56%**	**7.95%**	**12.06%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**13.09%**	**8.40%**	**12.51%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$14,829,935	$19,389,918
Allocated pooled OPSRP UAL	833,865	815,369
Side account	11,666,782	10,824,639
Net unfunded pension actuarial accrued liability	3,997,018	9,380,648
Combined valuation payroll	11,793,404	11,568,354
Net pension UAL as a percentage of payroll	34%	81%
Calculated Side Account Rate Relief	(9.24%)	(8.30%)
Allocated Pooled RHIA UAL	$163,233	$242,709

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
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▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$10,824,639**	**$10,824,639**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(828,887)	(828,887)
5. Side account earnings during 2013		1,672,030	1,672,030
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$11,666,782**	**$11,666,782**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$11,666,782	$10,824,639
Side Account 2	0	0
Side Account 3	0	0
Total	**$11,666,782**	**$10,824,639**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$11,666,782	$10,824,639
2. Combined valuation payroll	11,793,404	11,568,354
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.24%)	(8.30%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 2014
Oregon City School District #62/3122

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Oregon City School District #62 -- #3122

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Oregon City School District #62 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Oregon City School District #62

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(11.00%)	(11.00%)	(11.00%)
Net pension contribution rate	**10.80%**	**6.19%**	**10.30%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**11.33%**	**6.64%**	**10.75%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$45,440,453	$57,087,721
Allocated pooled OPSRP UAL	2,555,050	2,400,607
Side account	42,558,632	39,932,793
Net unfunded pension actuarial accrued liability	5,436,871	19,555,535
Combined valuation payroll	36,136,208	34,059,502
Net pension UAL as a percentage of payroll	15%	57%
Calculated Side Account Rate Relief	(11.00%)	(10.40%)
Allocated Pooled RHIA UAL	$500,164	$714,583

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$39,932,793**	**$39,932,793**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(3,466,095)	(3,466,095)
5. Side account earnings during 2013		6,092,934	6,092,934
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$42,558,632**	**$42,558,632**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$42,558,632	$39,932,793
Side Account 2	0	0
Side Account 3	0	0
Total	**$42,558,632**	**$39,932,793**

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, 2013	December 31, 2012
1. Total side account	$42,558,632	$39,932,793
2. Combined valuation payroll	36,136,208	34,059,502
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.)[1]	(11.00%)	(10.40%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Pendleton School District #16R -- #3931

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Pendleton School District #16R to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Pendleton School District #16R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(21.32%)	(21.32%)	(21.32%)
Net pension contribution rate	**0.48%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**1.01%**	**0.45%**	**0.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$18,230,542	$22,688,951
Allocated pooled OPSRP UAL	1,025,077	954,098
Side account	33,083,287	30,949,967
Net unfunded pension actuarial accrued liability	(13,827,668)	(7,306,918)
Combined valuation payroll	14,497,713	13,536,613
Net pension UAL as a percentage of payroll	(95%)	(54%)
Calculated Side Account Rate Relief	(21.32%)	(20.28%)
Allocated Pooled RHIA UAL	$200,664	$284,004

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$30,949,967**	**$30,949,967**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(2,593,906)	(2,593,906)
5. Side account earnings during 2013		4,729,227	4,729,227
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$33,083,287**	**$33,083,287**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$14,681,420	$13,737,866
Side Account 2	18,401,867	17,212,101
Side Account 3	0	0
Total	**$33,083,287**	**$30,949,967**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$33,083,287	$30,949,967
2. Combined valuation payroll	14,497,713	13,536,613
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(21.32%)	(20.28%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

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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.

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Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Philomath School District #17J -- #3043

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Philomath School District #17J to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Philomath School District #17J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(11.55%)	(11.55%)	(11.55%)
Net pension contribution rate	**10.25%**	**5.64%**	**9.75%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**10.78%**	**6.09%**	**10.20%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$7,339,221	$10,268,982
Allocated pooled OPSRP UAL	412,674	431,823
Side account	7,214,193	6,678,909
Net unfunded pension actuarial accrued liability	537,702	4,021,896
Combined valuation payroll	5,836,465	6,126,649
Net pension UAL as a percentage of payroll	9%	66%
Calculated Side Account Rate Relief	(11.55%)	(9.67%)
Allocated Pooled RHIA UAL	$80,783	$128,540

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$6,678,909**	**$6,678,909**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(496,678)	(496,678)
5. Side account earnings during 2013		1,032,962	1,032,962
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$7,214,193**	**$7,214,193**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$7,214,193	$6,678,909
Side Account 2	0	0
Side Account 3	0	0
Total	**$7,214,193**	**$6,678,909**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$7,214,193	$6,678,909
2. Combined valuation payroll	5,836,465	6,126,649
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(11.55%)	(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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

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Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Pilot Rock School District #2R -- #3958

September 2014

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Executive Summary

Milliman has prepared this report for Pilot Rock School District #2R to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Pilot Rock School District #2R

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(13.40%)	(13.40%)	(13.40%)
Net pension contribution rate	**8.40%**	**3.79%**	**7.90%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**8.93%**	**4.24%**	**8.35%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$2,114,694	$2,497,544
Allocated pooled OPSRP UAL	118,906	105,025
Side account	2,412,028	2,231,863
Net unfunded pension actuarial accrued liability	(178,428)	370,706
Combined valuation payroll	1,681,696	1,490,077
Net pension UAL as a percentage of payroll	(11%)	25%
Calculated Side Account Rate Relief	(13.40%)	(13.29%)
Allocated Pooled RHIA UAL	$23,276	$31,262

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$2,231,863**	**$2,231,863**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(162,877)	(162,877)
5. Side account earnings during 2013		344,043	344,043
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$2,412,028**	**$2,412,028**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$2,412,028	$2,231,863
Side Account 2	0	0
Side Account 3	0	0
Total	**$2,412,028**	**$2,231,863**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$2,412,028	$2,231,863
2. Combined valuation payroll	1,681,696	1,490,077
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.40%)	(13.29%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Portland Public Schools -- #3818

September 2014

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- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Portland Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(24.70%)	(24.70%)	(24.70%)
Net pension contribution rate	**0.00%**	**0.00%**	**0.00%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**0.53%**	**0.45%**	**0.45%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$312,302,169	$420,520,631
Allocated pooled OPSRP UAL	17,560,292	17,683,399
Side account	656,519,837	610,818,860
Net unfunded pension actuarial accrued liability	(326,657,376)	(172,614,830)
Combined valuation payroll	248,356,156	250,889,737
Net pension UAL as a percentage of payroll	(132%)	(69%)
Calculated Side Account Rate Relief	(24.70%)	(21.60%)
Allocated Pooled RHIA UAL	$3,437,515	$5,263,773

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$610,818,860**	**$610,818,860**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(48,097,208)	(48,097,208)
5. Side account earnings during 2013		93,800,185	93,800,185
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$656,519,837**	**$656,519,837**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$274,368,565	$255,386,220
Side Account 2	382,151,272	355,432,640
Side Account 3	0	0
Total	**$656,519,837**	**$610,818,860**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$656,519,837	$610,818,860
2. Combined valuation payroll	248,356,156	250,889,737
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(24.70%)	(21.60%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Rainier School District #13 -- #4320

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Rainier School District #13 to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Rainier School District #13

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(14.57%)	(14.57%)	(14.57%)
Net pension contribution rate	**7.23%**	**2.62%**	**6.73%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**7.76%**	**3.07%**	**7.18%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$5,233,266	$7,444,282
Allocated pooled OPSRP UAL	294,259	313,041
Side account	6,488,373	6,033,748
Net unfunded pension actuarial accrued liability	(960,848)	1,723,575
Combined valuation payroll	4,161,719	4,441,385
Net pension UAL as a percentage of payroll	(23%)	39%
Calculated Side Account Rate Relief	(14.57%)	(12.05%)
Allocated Pooled RHIA UAL	$57,603	$93,182

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$6,033,748**	**$6,033,748**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(474,542)	(474,542)
5. Side account earnings during 2013		930,167	930,167
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$6,488,373**	**$6,488,373**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$6,488,373	$6,033,748
Side Account 2	0	0
Side Account 3	0	0
Total	**$6,488,373**	**$6,033,748**

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, 2013	December 31, 2012
1. Total side account	$6,488,373	$6,033,748
2. Combined valuation payroll	4,161,719	4,441,385
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.57%)	(12.05%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Redmond School District #2J -- #4311

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Redmond School District #2J to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Redmond School District #2J

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(9.58%)	(9.58%)	(9.58%)
Net pension contribution rate	**12.22%**	**7.61%**	**11.72%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**12.75%**	**8.06%**	**12.17%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$35,934,554	$46,082,244
Allocated pooled OPSRP UAL	2,020,547	1,937,814
Side account	29,306,496	27,227,705
Net unfunded pension actuarial accrued liability	8,648,605	20,792,353
Combined valuation payroll	28,576,707	27,493,448
Net pension UAL as a percentage of payroll	30%	76%
Calculated Side Account Rate Relief	(9.58%)	(8.79%)
Allocated Pooled RHIA UAL	$395,532	$576,824

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$27,227,705**	**$27,227,705**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,113,540)	(2,113,540)
5. Side account earnings during 2013		4,193,331	4,193,331
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$29,306,496**	**$29,306,496**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$29,306,496	$27,227,705
Side Account 2	0	0
Side Account 3	0	0
Total	**$29,306,496**	**$27,227,705**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$29,306,496	$27,227,705
2. Combined valuation payroll	28,576,707	27,493,448
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(9.58%)	(8.79%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Reedsport School District -- #4312

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Reedsport School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Reedsport School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(16.25%)	(16.25%)	(16.25%)
Net pension contribution rate	**5.55%**	**0.94%**	**5.05%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**6.08%**	**1.39%**	**5.50%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$2,814,955	$4,557,973
Allocated pooled OPSRP UAL	158,281	191,668
Side account	3,893,232	3,554,061
Net unfunded pension actuarial accrued liability	(919,996)	1,195,580
Combined valuation payroll	2,238,574	2,719,364
Net pension UAL as a percentage of payroll	(41%)	44%
Calculated Side Account Rate Relief	(16.25%)	(11.59%)
Allocated Pooled RHIA UAL	$30,984	$57,053

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$3,554,061**	**$3,554,061**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(210,704)	(210,704)
5. Side account earnings during 2013		550,875	550,875
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$3,893,232**	**$3,893,232**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$3,893,232	$3,554,061
Side Account 2	0	0
Side Account 3	0	0
Total	**$3,893,232**	**$3,554,061**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$3,893,232	$3,554,061
2. Combined valuation payroll	2,238,574	2,719,364
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(16.25%)	(11.59%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members’ regular account balances starting in 2014. 7.75% compounded annually on members’ variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Reynolds School District -- #3824

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Reynolds School District to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Reynolds School District

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(15.82%)	(15.82%)	(15.82%)
Net pension contribution rate	**5.98%**	**1.37%**	**5.48%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**6.51%**	**1.82%**	**5.93%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$71,791,101	$96,415,760
Allocated pooled OPSRP UAL	4,036,708	4,054,399
Side account	96,675,723	89,876,933
Net unfunded pension actuarial accrued liability	(20,847,914)	10,593,226
Combined valuation payroll	57,091,380	57,523,277
Net pension UAL as a percentage of payroll	(37%)	18%
Calculated Side Account Rate Relief	(15.82%)	(13.86%)
Allocated Pooled RHIA UAL	$790,206	$1,206,863

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA *($ in millions)*	Actuarial Valuation as of December 31, 2013	Actuarial Valuation as of December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$89,876,933**	**$89,876,933**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(6,998,898)	(6,998,898)
5. Side account earnings during 2013		13,798,688	13,798,688
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$96,675,723**	**$96,675,723**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$96,675,723	$89,876,933
Side Account 2	0	0
Side Account 3	0	0
Total	**$96,675,723**	**$89,876,933**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$96,675,723	$89,876,933
2. Combined valuation payroll	57,091,380	57,523,277
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(15.82%)	(13.86%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
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A brief summary of the key economic assumptions used in this valuation is shown below:

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Future general wage inflation	3.75% per year.
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OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 2014
Riverdale School/3847

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

Milliman

ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Riverdale School -- #3847

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Riverdale School to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Riverdale School

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(13.47%)	(13.47%)	(13.47%)
Net pension contribution rate	**8.33%**	**3.72%**	**7.83%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**8.86%**	**4.17%**	**8.28%**

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 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	$4,335,008	$5,723,227
Allocated pooled OPSRP UAL	243,751	240,669
Side account	4,969,124	4,625,494
Net unfunded pension actuarial accrued liability	(390,365)	1,338,402
Combined valuation payroll	3,447,385	3,414,574
Net pension UAL as a percentage of payroll	(11%)	39%
Calculated Side Account Rate Relief	(13.47%)	(12.02%)
Allocated Pooled RHIA UAL	$47,715	$71,639

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	**December 31, 2012**
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$4,625,494**	**$4,625,494**
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(365,549)	(365,549)
5. Side account earnings during 2013		710,179	710,179
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$4,969,124**	**$4,969,124**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$4,969,124	$4,625,494
Side Account 2	0	0
Side Account 3	0	0
Total	**$4,969,124**	**$4,625,494**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$4,969,124	$4,625,494
2. Combined valuation payroll	3,447,385	3,414,574
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(13.47%)	(12.02%)

[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 Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

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Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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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.

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September 2014

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, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. 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 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 September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 2014
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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Roseburg Public Schools -- #3310

September 2014

CONTENTS

Executive Summary

Milliman has prepared this report for Roseburg Public Schools to:

- Provide summary December 31, 2013 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, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 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, 2013 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, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Roseburg Public Schools

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate [1]	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief [2]	(14.75%)	(14.75%)	(14.75%)
Net pension contribution rate	**7.05%**	**2.44%**	**6.55%**
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	**0.53%**	**0.45%**	**0.45%**
Total net employer contribution rate	**7.58%**	**2.89%**	**7.00%**

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

1 *Includes Multnomah Fire District #10 rate.*

2 *The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.*

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1 / Tier 2	General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide 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, 2013	**December 31, 2012**
Allocated pooled T1/T2 UAL	$31,124,734	$41,132,554
Allocated pooled OPSRP UAL	1,750,098	1,729,673
Side account	39,070,326	36,034,575
Net unfunded pension actuarial accrued liability	(6,195,494)	6,827,652
Combined valuation payroll	24,751,731	24,540,379
Net pension UAL as a percentage of payroll	(25%)	28%
Calculated Side Account Rate Relief	(14.75%)	(13.03%)
Allocated Pooled RHIA UAL	$342,590	$514,868

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	$198.6	$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	$23,392.6	$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	$2,723.5	$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	$51,171	$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	$1,007	$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	$2,071	$2,040

Executive Summary

Principal Valuation Results (continued)

OPSRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	$234.7	$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	$45.5	$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	$2,243.3	$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

	Actuarial Valuation as of	
RHIA *($ in millions)*	December 31, 2013	December 31, 2012
Normal cost	$4.0	$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	$473.6	$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	$8,671.8	$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	**N/A**	**$36,034,575**	**$36,034,575**
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(2,531,202)	(2,531,202)
5. Side account earnings during 2013		5,568,953	5,568,953
6. Side account as of December 31, 2013 ***(1. + 2. + 3. + 4. + 5.)***		**$39,070,326**	**$39,070,326**

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	$25,083,627	$23,085,347
Side Account 2	13,986,699	12,949,228
Side Account 3	0	0
Total	**$39,070,326**	**$36,034,575**

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	$39,070,326	$36,034,575
2. Combined valuation payroll	24,751,731	24,540,379
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	(14.75%)	(13.03%)

[1] *For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.*

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

Actuarial cost method	Entry Age Normal.
Amortization Method	The UAL is amortized as a level percentage of combined payroll. The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period. The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period. All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

Net investment return	7.75% compounded annually on system assets.
Interest crediting	7.75% compounded annually on members' regular account balances starting in 2014. 7.75% compounded annually on members' variable account balances starting in 2014.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Ranging from 6.1% in 2014 to 4.7% in 2083.
OPSRP Administrative Expenses	$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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