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

September 28, 2012

City of West Linn/2126
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2011. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2013. Information is also provided to assist you in preparing your required financial reporting disclosures under Statements 27 and 45 of the Governmental Accounting Standards Board.

This report reflects the benefit provisions in effect as of December 31, 2011. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 27 and GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

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

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

September 28, 2012
City of West Linn/2126

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in July 2011.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2013 to June 2015 for System employers. Other actuarial computations presented in this report under GASB Statements No. 27 and 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statements No. 27 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman

September 28, 2012

City of West Linn/2126

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

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

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

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

Sincerely,

Matthew R. Larrabee, FSA, EA
Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary

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

ACTUARIAL VALUATION REPORT
DECEMBER 31, 2011

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of West Linn -- #2126

SEPTEMBER 2012

CONTENTS

Executive Summary

Milliman has prepared this report for City of West Linn to:

- Provide summary December 31, 2011, valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective July 1, 2013, through June 30, 2015
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2011, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 27 and 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2011, system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of West Linn.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1 2013 through June 30, 2015, for each type of payroll and under each option for Tier 1/Tier 2. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2013, for City of West Linn

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates			
	All T1/T2 Payroll	General Service	Police & Fire	General Service	Police & Fire
Pension					
Normal cost rate	10.10%	7.89%	15.09%	6.27%	9.00%
Tier 1/Tier 2 UAL rate[1]	10.36%	10.36%	10.36%	10.36%	10.36%
OPSRP UAL rate	0.15%	0.15%	0.15%	0.15%	0.15%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate[2]	(3.85%)	(3.85%)	(3.85%)	(3.85%)	(3.85%)
Side account rate relief [2]	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	**16.76%**	**14.55%**	**21.75%**	**12.93%**	**15.66%**
Retiree Healthcare					
Normal cost rate	0.10%	0.10%	0.10%	0.00%	0.00%
UAL rate	0.49%	0.49%	0.49%	0.49%	0.49%
Net retiree healthcare rate	**0.59%**	**0.59%**	**0.59%**	**0.49%**	**0.49%**
Total net employer contribution rate	**17.35%**	**15.14%**	**22.34%**	**13.42%**	**16.15%**

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

1 *Includes Multnomah Fire District #10 rate.*

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

Executive Summary

Employer Contribution Rates (continued)

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

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates first effective as of July 1, 2015, for the SLGRP rate pool, which will depend on its funded status as of December 31, 2013. If the SLGRP's funded status excluding side accounts is less than 70 percent or greater than 130 percent, the rate collar doubles in size. If the SLGRP's funded status excluding side accounts is between 70 and 80 percent or between 120 and 130 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the SLGRP funded status as of December 31, 2011 is 75%.

Funded Status as of December 31, 2013	80% to 120%	Under 70% or Over 130%
July 1, 2013 Normal Cost and Tier 1/Tier 2 UAL Rate	19.57%	19.57%
Minimum July 1, 2015 Rate	15.66%	11.75%
Maximum July 1, 2015 Rate	23.48%	27.39%

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

Executive Summary

Accounting Information

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

Pension

We understand that employers participating in the SLGRP and OPSRP are considered to be participating in a cost-sharing plan under Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Cost-sharing employers recognize annual pension expense equal to the contractually required contributions to the plan. The contractually required contribution for pension liabilities for July 1, 2013 through June 30, 2015 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

For periods prior to an employer's participation in the SLGRP, accounting information developed as an independent employer should be used, not the information from this exhibit.

Contractually Required Contribution Rate

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	General Service	Police & Fire	General Service	Police & Fire
July 1, 2011 to June 30, 2013	12.19%	10.07%	17.79%	8.52%	11.23%
July 1, 2013 to June 30, 2015	16.76%	14.55%	21.75%	12.93%	15.66%

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

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

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

	Payroll		
		OPSRP	
	Tier 1/Tier 2	General Service	Police & Fire
RHIA July 1, 2011 to June 30, 2013	0.59%	0.50%	0.50%
RHIPA July 1, 2011 to June 30, 2013	0.00%	0.00%	0.00%
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%

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.

City of West Linn

	Actuarial Valuation as of	
	December 31, 2011	**December 31, 2010**
Allocated pooled SLGRP T1/T2 UAL	$13,362,400	$10,466,202
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,754,030)	(3,794,441)
Allocated pooled OPSRP UAL	143,019	100,891
Side account	0	0
Net unfunded pension actuarial accrued liability	9,751,389	6,772,652
Combined valuation payroll	8,382,138	8,125,719
Net pension UAL as a percentage of payroll	116%	83%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.85%)	(3.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	$217,144	$292,351
Allocated pooled RHIPA UAL	$0	$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

($ in millions)	Actuarial Valuation as of	
	December 31, 2011	December 31, 2010
Normal cost	$290.9	$298.7
Tier 1/Tier 2 valuation payroll	3,179.3	3,333.1
Normal cost rate	9.15%	8.96%
Actuarial accrued liability	$31,109.1	$30,285.0
Actuarial asset value	23,240.9	23,879.0
Unfunded actuarial accrued liability	7,868.2	6,405.9
Funded status	75%	79%
Combined valuation payroll	$4,935.7	$4,973.4
UAL as a percentage of payroll	159%	129%
UAL rate[1]	10.36%	9.34%
State and Community College Pre-SLGRP Pooled Liability	$598.8	$609.1
LGRP Pooled Liability	(250.1)	(253.4)
Total Transition Liability	(789.9)	(803.2)
Tier 1/Tier 2 Active Members		
▪ Count	49,695	54,044
▪ Average Age	51.1	50.6
▪ Average Service	16.4	15.7
▪ Average Valuation Payroll	$63,976	$61,673
Tier 1/Tier 2 Dormant Members		
▪ Count	23,247	23,440
▪ Average Age	53.6	53.2
▪ Average Monthly Benefit	$1,308	$1,443
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	68,509	65,192
▪ Average Age	69.8	69.7
▪ Average Monthly Benefit	$1,894	$1,839

[1] *The December 31, 2011 UAL rate shown for the SLGRP includes 0.13% for Multnomah Fire District #10 (0.12% at December 31, 2010). The City of Portland pays an additional 1.00% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.13% (0.99% and 0.12% respectively at December 31, 2010).*

Executive Summary

Principal Valuation Results (continued)

OPSRP

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

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

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

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

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2011			December 31, 2010		
	SLGRP Normal Cost Rate	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**	**SLGRP Normal Cost Rate**	**Employer Tier 1/Tier 2 Valuation Payroll**	**Normal Cost**
Tier 1 General Service	5.78%	$1,991,085	$115,085	5.65%	$1,833,097	$103,570
Tier 2 General Service	10.42%	1,664,350	173,425	10.34%	1,772,476	183,274
Total General Service		**3,655,435**	**288,510**		**3,605,573**	**286,844**
Tier 1 Police & Fire	15.06%	834,197	125,630	14.74%	721,193	106,304
Tier 2 Police & Fire	15.12%	782,851	118,367	15.03%	725,515	109,045
Total Police & Fire		**1,617,048**	**243,997**		**1,446,708**	**215,349**
Total		**$5,272,483**	**$532,507**		**$5,052,281**	**$502,193**
Employer normal cost rate						
General Service			**7.89%**			**7.96%**
Police & Fire			**15.09%**			**14.89%**
Aggregate (Default)			**10.10%**			**9.94%**

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

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

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2010	($3,794,441)
2. January 1, 2011 through June 30, 2011	
A. Transition liability/(surplus) rate	(3.79%)
B. Actual employer payroll	4,095,811
C. Payment to transition liability/(surplus)	(155,231)
3. July 1, 2011 through December 31, 2011	
A. Transition liability/(surplus) rate	(3.79%)
B. Actual employer payroll	4,307,539
C. Payment to transition liability/(surplus)	(163,256)
4. Supplemental payment to transition liability	0
5. Interest	(278,076)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2011	
(1. - 2C. - 3C. - 4. + 5. + 6.)	**($3,754,030)**

Development of Transition Liability or Surplus Rate

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

	December 31, 2011	**December 31, 2010**
1. Total transition liability/(surplus)	(3,754,030)	(3,794,441)
2. Combined valuation payroll	8,382,138	8,125,719
3. Regular amortization factor	11.626	12.134
4. **Total transition liability/(surplus) rate**	**(3.85%)**	**(3.85%)**

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2010	**N/A**		
2. Deposits during 2011		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2011			
5. Side account earnings during 2011			
6. Side account as of December 31, 2011 ***(1. + 2. + 3. + 4. + 5.)***			

Side Account Information

Side Account Balances

	December 31, 2011	December 31, 2010
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	**$0**	**$0**

Development of Side Account Rate

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

	December 31, 2011	December 31, 2010
1. Total side account	$0	$0
2. Combined valuation payroll	8,382,138	8,125,719
3. Amortization factor	11.626	12.134
4. Total side account rate (-1. ÷ 2. ÷ 3.) [1]	0.00%	0.00%

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

Brief Summary of Methods and Assumptions

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

Methods

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

Actuarial cost method	Projected Unit Credit.
Tier 1/Tier 2 UAL and Retiree Healthcare UAL amortization	The Tier 1/Tier 2 regular UAL and Retiree Healthcare regular UAL as of December 31, 2007 are amortized as a level percentage of combined valuation payroll over a closed period. For the Tier 1/Tier 2 UAL, this period is 20 years; for Retiree Healthcare, it is 10 years. Gains and losses between subsequent rate-setting valuations are amortized as a level percentage of combined valuation payroll over 20 years (10 for Retiree Healthcare) from the rate-setting valuation in which they are first recognized.
OPSRP UAL Amortization	Gains and losses between rate-setting valuations are amortized as a level percentage of combined valuation payroll over 16 years from the rate-setting valuation in which they are first recognized.
Asset valuation method	Market value of assets, excluding reserves.
Contribution rate stabilization method (rate collar)	Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 70% or increases above 130%, the size of the collar doubles. If the funding percentage excluding side accounts is between 70% and 80% or between 120% and 130%, the size of the rate collar is increased on a graded scale.

Economic Assumptions

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

Net investment return	8.00% compounded annually on system assets.
Interest crediting	8.00% compounded annually on members' regular account balances. 8.25% compounded annually on members' variable account balances.
Consumer price inflation	2.75% per year.
Future general wage inflation	3.75% per year.
Healthcare cost inflation	Graded from 6.9% in 2012 to 4.5% in 2029.
OPSRP Administrative Expenses	$6.6 million added to OPSRP normal cost.

Brief Summary of Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2010 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2010, actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

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

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

A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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